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ABSTRACT

This compendium focuses on intellectual property law, which includes copyrights, patents, and trademarks as well as applications of intellectual property in distance learning software, the Internet, and research data. It includes formal journal articles, policies, and outlines from the National Association of College and University Attorneys. Ten sections offer: (1) "Overview," which features "Intellectual Property Law Primer: What You Need To Know" (William H. Needle); (2) "Development of Intellectual Property Policies," including "Intellectual Property Policies" (Karen Hersey) and relevant Web sites; (3) "Copyright," including "Fair Use and How It Got That Way: The 1998 Donald C. Brace Memorial Lecture" (Lloyd L. Weinreb); "The Impact of Fair Use in the Higher Education Community: A Necessary Exception?" (Stephana I. Colbert and Oren R. Griffin); "Coursepacks and Copyright: Fair Use in Princeton University Press v. Michigan Document Services" (case comment); "Fair Use of Unpublished Works: Scholarly Research and Copyright Case Law Since 1992" (Robert Spoo); "Copyright Law in Cyberspace" (Kenneth Hautman); "The Discouragement of Learning: Scholarship Made for Hire" (Pamela A. Kilby); "Ownership of Copyrightable Works of University Professors: The Interplay Between the Copyright Act and University Copyright Policies" (Laura G. Lape); "An Odyssey through Copyright's Vicarious Defenses" (David Nimmer); and relevant Web sites; (4) "Patents," including "First-To-File vs. First-To-Invent: Will Universities Be Left Behind?" (case comment); "The Written Description Requirement of 35 U.S. C. 112(1): The Standards After Regents of the University of California v. Eli Lilly Co." (Mark J. Stewart); and relevant Web sites; (5) "Trademarks," including "Logo Cops: The Law and Business of Collegiate Licensing" (Robert Lattinville); "Names and Logos: Protection Under Intellectual Property Laws and Consequences" (Balaram Gupta); "Contract Issues for the Campus Lawyer: Licensing Programs" (Paul Ward); and relevant Web sites; (6) "Software," including: "Three Ways To Protect Computer Software" (Carey Ramos and David Berlin); and "The Relative Roles of Patent and Copyright Protection of Computer Programs" (Dennis S. Kajala); (7) "Internet," including "Intellectual Property Basics for Cyberspace: Trademark Basics" (Gail E.

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Gunnells); "Intellectual Property and Privacy Issues on the Internet" (Daniel W. McDonald, John E. Reich, and Scott E. Bain); and "Visual Artists' Rights in a Digital Age"; (8); "Ownership and Disclosure of Research Data," including "Research Under the Microscope: A Primer on University Research Programs" (Nick Goodman); "Human Subjects Research: New and Revisited Issues" (Lisa Vincler); and "Research Data" (Christine Hughes); (9) Annotated Web Site List"; and (10) "Additional Resources." (SM)

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INTELLECTUAL PROPERTY IN HIGHER EDUCATION:

A LEGAL COMPENDIUM

Second Edition

Edited by

Abigail Byman

and

Randolph Geller

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Abigail Byman is General Counsel and University Secretary at The University of Scranton, Scranton, Pennsylvania. She has been in her current post since 1995. While having a general practice, she has developed expertise in intellectual property law, particularly copyright. Ms. By man is in the process of creating intellectual property and distributed education policies at The University of Scranton and has lectured extensively on intellectual property issues for her University, for NACUA, and for various continuing legal education providers. Prior to coming to Scranton, Ms. Byman spent seventeen years serving in the Office of the General Counsel of Loyola University of Chicago, where she drafted that institution's first copyright and patent policies twenty years ago. She earned a B.A., *magna cum laude*, from Carleton College and a J.D. from the University of Denver College of Law.

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This is one of a series of publications from NACUA, the premier organization of higher education legal counsel, offering a broad range of services that help members identify, analyze, and prevent legal problems on campus. The NACUA Publications Program is offered as part of the NACUA Institute for Law and Higher Education.

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There are, of course, many more resources in this area than we could possibly list, but the Additional Resources Section has many of our favorite sources of information, including legislation, books, articles that appeared in *The Chronicle of Higher Education* and other places, NACUA outlines not reproduced in full in the Compendium, video conferences, and books.

We hope you will find the search for knowledge in the realm of intellectual property in academe as rewarding as we have.

ACKNOWLEDGMENTS

We would like to express our sincerest thanks to the many people who made this work possible, especially our respective spouses Vic Cushing and Jennifer Hubbard Geller, and three capable law clerks employed over the last few years in the Office of University Counsel at the University of Idaho -- Terry Jones, Patrick Braden, and James Ruchti. Abby would like to acknowledge William H. Oswald, her former boss at her former job, who was a NACUA leader without peer and who inspires everything she does in higher education law. Randy is grateful for the encouragement and support of Georgia Yuan, general counsel at the University of Idaho and his boss and friend. We would also like to thank the NACUA publications committee for its patience and understanding. We know that this Compendium has been a long time in coming. Finally, we need to emphasize the invaluable and essential help of NACUA office staff, especially Linda Henderson, who stuck with us and pushed for the best possible work.

Abigail Byman
Randy Geller
February 2001

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FOREWORD

The Foreword to the first edition of this Compendium referred to the "explosive growth in this area of the law during the past decade . . . ." The growth in intellectual property law during the eighties pales in comparison to that of the nineties, the decade between the two editions of this work. The Digital Millennium Copyright Act, recent patent legislation, increasingly sophisticated software and, above all, the emergence of the Internet as an integral part of our personal and professional lives have led us to a truly brave new world.

Some of this explosive growth in intellectual property law is covered in greater depth by other new NACUA publications. Georgia Harper has updated her monograph on copyright law; the new work was published by NACUA in May 2000. *The Journal of College and University Law* has published the papers from the symposium on copyright and higher education hosted by Michael Olivas at the University of Houston Law School in December, 1999. The symposium papers are in Volume 27, Issue 1 of *JCUL*, which was published in January 2001.

For purposes of this Compendium, Intellectual Property includes copyright, patents, and trademarks, as well as applications of intellectual property in distance learning software, the Internet, and research data. We have included formal journal articles, policies, and NACUA outlines.

The Needle outline gives a good overview of the intellectual property law that is important in higher education. Following the overview is the superb outline Karen Hersey of MIT put together for the 1998 NACUA Advanced Workshop, along with the MIT policy and references to others. Two other general intellectual property policies follow.

Fair use has traditionally been the most discussed (and most litigated) part of copyright law in higher education, and the selections in Section III reflect that. Making sure that the copyrighted works of others are fairly used in the academy is the concern of all of these articles. The cyberspace outlines -- a recent one by Georgia Harper and an older one by Kenneth Hautman -- apply classic copyright principles to the new realm in which we all work.

For all of us who have wrestled with the creation and eventual promulgation of copyright policies in a college or university, the two articles in the "Work-for-Hire and Faculty" section offer some interesting points of view on this perpetually knotty problem. While distance learning has exacerbated the issues, the basic concerns remain the same as when these articles were written. The next section contains an entertaining journey through copyright infringement defenses. Finally, a selection of the many excellent copyright policies available on the Internet is included. The particular policies were chosen for the varied solutions to intractable problems they contain, particularly ownership of faculty creative work.

Recognizing that most users of this Compendium will be general practitioners, we have limited the coverage of patent law, which is truly the domain of the specialist. The focus is on institutional policies, and we have included a few that we believe to be among the best.

The decade of the nineties has seen an explosion in the commercial value of college and university marks and logos and concomitant efforts on the part of colleges and universities to protect the enormous goodwill associated with their marks. Consequently, we have expanded the Compendium's coverage of this subject. The emphasis is on logos in the athletics context, but the issues are similar for the rest of the institution. As with many of the other subjects covered in this Compendium, we have endeavored to provide some of the better-developed institutional policies in this field.

The two outlines presented in the Distance Learning section offer an interesting blend of legal and policy analysis of the implications of distance learning for traditional areas of legal concern in academe -- contracts, employment, security, federal and state regulation, academic freedom, and, of course, intellectual property.

The burgeoning role of computer software in our daily lives has resulted in expanded coverage of this subject as well. We have included two articles for the general practitioner. The purpose of these articles is to provide an overview of the ways in which computer programs might be protected. We hope that you find these articles to be accessible.

Recent NACUA conferences have included many sessions on the collision between the Internet and intellectual property law. It seems as if the Internet presents a new twist on an old problem, or even an entirely new problem, on a daily if not hourly basis. Accordingly, the Compendium includes a separate section dealing with intellectual property law issues unique to the Internet.

Another development in the decade of the nineties is the increasing visibility of university research programs. With that development has come increased interest in the legal issues affecting the ownership, use, and disclosure of research data. Consequently, the Compendium includes four excellent outlines from recent NACUA conferences dealing with university research programs and the information and inventions they generate.

The annotated web site list was a joy to put together, but getting it right is like trying to hit a target with a bow and arrow while riding a galloping horse. As of publication of this compendium, we believe the web site addresses are accurate, but you will have to ride the waves of change as you use them.

I. OVERVIEW

1. "Intellectual Property Law Primer: What You Need to Know," by William Needle

INTELLECTUAL PROPERTY LAW PRIMER: WHAT *YOU* NEED TO KNOW

June 21, 1998

William H. Needle
Needle & Rosenberg, P.C.
Atlanta, Georgia

The following is a very brief summary of the law of patents, trade secrets under Georgia law, copyrights and trademarks.

I. PATENTS

A. Generally

A patent is a right to exclude others from making, using or selling a claimed invention throughout a country, such as the United States, for a limited period of time, namely, twenty (20) years from the date of filing the application and fourteen (14) years from issuance for a design patent. For those seeking further information on U.S. patents may want to look at the Web site for the U.S. Patent and Trademark Office at: **http://www.uspto.gov**.

B. What is Patentable Under U.S. Law

To be patentable in the U.S., an invention must be useful (35 U.S.C. §101), new (35 U.S.C. §102), and unobvious (35 U.S.C. §103). There are two common types of patents, utility patents and design patents.

1. **Utility Patents** (35 U.S.C. §101) cover the useful or working features of an invention are divided into three categories: (a) mechanical; (b) chemical; and (c) electrical. Utility patents have a term of twenty (20) years from the date of filing.

2. **Design Patents** (35 U.S.C. §171) cover the physical appearance or ornamental design of an object and have a term of fourteen (14) years. A design patent offers less protection than a utility patent because only the appearance of an article, not the manner of its manufacture or functioning, is covered.

C. What is Not Patentable in the U.S.

- Printed matter (e.g., business forms).
- Something naturally occurring in nature.
- A method of doing business.
- Scientific principles.
- A chemical compound having no utility.

D. Pre-Filing Considerations

1. When to File

In the U.S., an inventor loses his right to patent his invention if he fails to file a patent application within one (1) year from:

a. the first public (and nonexperimental) use of the invention; or
b. the first sale or offer for public sale of the invention; or
c. the first printed publication of his invention. 35 U.S.C. §102

2. Preliminary Patentability Search

It is advisable to conduct a preliminary patentability search in the U.S. Patent and Trademark Office to determine if the invention is patentable over the "prior art" which includes U.S. and foreign patents, publications and devices. A patent search site is the "IBM Patent Server" at **http://patent.womplex.ibm.com** which has U.S. patents dating back to 1971. Another World Wide Web patent search site is MicroPatent's PatentWeb at **http://www.micropat.com.**

3. First-to-Invent (U.S) vs. First-to-File (Foreign)

Under U.S. patent laws, a patent is granted to the first to invent, not the first to file a patent application as in most other countries. Therefore, the first to file an application on an invention may not necessarily be awarded the patent if someone filed later but can prove that he or she was the first to invent the invention. However, in foreign countries, it is basically a "race to the Patent Office" and the first one to file is presumed to be the "inventor". While the U.S. has made an attempt to "harmonize" its patent laws to be in conformity with the majority of the rest of the world's patent laws, it is doubtful that the "first-to-file" rule will be adopted here.

4. What Constitutes an Invention

The inventive process has two steps: (a) conception and (b) reduction to practice.

a. Conception

Conception is the formulation in the mind of an inventor of the complete means for solving a problem and must be such as would enable a person skilled in the art to reduce the conception to practice without undue experimentation or research or exercise of inventive skill.

b. Reduction to Practice

An invention is not complete until it has been reduced to practice either actually or constructively. Actual reduction to practice means (1) the physical construction of the invention, and (2) the testing of the physical embodiment to determine whether it performs as contemplated. Constructive reduction to practice means the filing of a patent application on the invention and is treated as the full equivalent of an actual reduction to practice.

5. U.S. Document Disclosure Program

The Patent and Trademark Office provides a Document Disclosure Program whereby, for a $10.00 fee, a written description of the invention will be dated when filed and will be kept for a period of two (2) years. The filing does not take the place of filing for a patent application but only provides an official receipt marking the date of conception.

E. How U.S. Patents are Obtained

1. Utility Patents

U.S. patents are issued by the U.S. Patent and Trademark Office, Washington, D.C. An application is filed with the Patent Office that includes: (1) drawings showing various views of the invention; (2) a specification describing the invention in detail, including statements as to what the inventor believes is new and patentable; and (3) one or more claims which define the subject matter of the invention. An application remains confidential while it is pending. The application is then examined in the Patent Office by a patent examiner who is knowledgeable in the particular technology of the invention. The examiner will conduct his or her own search of the prior art.

After his search, the examiner will issue an "Office Action" that sets forth any informalities, objections or rejections that will prevent the issuance of the patent. The applicant can then respond to the Action by means of an "Amendment" that attempts to overcome by argument the examiner's rejection of the claims of the application. If the Amendment is accepted by the examiner, a patent will issue in due course; if he or she is unsuccessful in his or her arguments, the applicant can appeal the examiner's decision. The period from the date the application is filed to the date prosecution is concluded (i.e., when the examiner finds the claims allowable) can be about 18 - 24 months on an average; however, the time can be much longer if the application is involved in protracted prosecution.

F. Markings

While the application is pending in the Patent and Trademark Office, the inventor can mark his or her device "patent pending" or "patent applied for" although no suit for infringement can be brought until a patent actually issues. When the U.S. patent issues, the notice "patent" or "pat.", together with the number of the patent should be placed on the article itself or at least on the packaging or instructions therefor.

G. Provisional Applications A "provisional" patent application in the U.S. Patent and Trademark Office is a way of postponing the cost and effort of preparing and filing a "regular" or utility application at a very low cost ($75.00 for "small entities", such as individual inventors, companies with less than 500 employees and non-profit institutions, and $150.00 for all others). The applicant may wait up to one (1) year before filing the utility application, with the filing date of the provisional application serving as the priority date for the subsequent utility application.

There is no "form" to a provisional application filed in the Patent Office since the Office does not examine it for patentability. The specification need not follow any particular format either in terms of the presentation of the subject matter or the language of the specification. The application does not require any claims to be drafted, so no oath or declaration signed by the inventor(s) is required. If drawings are necessary to explain the invention, they should be included but can be informal. Thus, the inventor may file himself or herself a provisional application.

The detrimental results from filing a defective provisional application can be profound. Any non-provisional application that claims priority upon a provisional application would have an effective filing date as of the later filed non-provisional application filing date for any claims not supported in the provisional application. The earlier provisional application filing date would have no effect on such claims. Any disclosures made after a provisional application filing date but prior to the non-provisional application filing date could be a bar to foreign rights for any claims not supported in the provisional application. Moreover, if a provisional patent application is filed to prevent a bar based on a public disclosure or use, offer for sale, or sale and the non-provisional application is filed more than one (1) year after such an event, claims in the non-provisional application not supported in the provisional application would be barred under 35 U.S.C. § 102(b).

H. Obtaining Patents in Foreign Countries

To obtain patent protection abroad, the inventor must file and prosecute a patent application in each foreign country in accordance with that country's law. There is no one international patent filing which will result in a patent that will be recognized in all countries.

1. Paris Union Convention

An application filed in a Convention country within twelve (12) months of the original filing date in another Convention country would be considered as having been filed on the same date as the initial filing. This will allow the inventor to defray expenses for foreign filings for one (1) year in order to permit a better evaluation of the commercial potential of the invention in a particular country without a loss of rights.

2. European Patent Convention (EPC)

The EPC is a treaty among seventeen (17) European countries setting up a common Patent Office [the European Patent Office (EPO)] headquartered in Munich, Germany which examines patent applications designated for any of those countries under a common patent procedure and issues a European patent which is valid in all of the countries designated.

3. Patent Cooperation Treaty (PCT)

The PCT simplifies multiple foreign filings by allowing an inventor to file an application in the U.S. Patent and Trademark Office within one (1) year of filing of the original application in the Patent Office and designate filing in over eighty (80) countries with the need to file a national application in most of the individual countries then postponed until thirty (30) months after the U.S. filing date. More information about the PCT can be found at its Web site: **http://www.uspto.gov/web/offices/pac/dapps/pct/.**

II. TRADE SECRET PROTECTION

A. Generally

Trade secret law prevents those who are under a legal duty from disclosing trade secret and other confidential and proprietary information to any third party who does not have a right to know the information. Trade secrets are governed by state law, which standards vary from state to state. In Georgia, a trade secret is defined in the Georgia Trade Secrets Act of 1990 (amended 1996) as:

> information, without regard to form, including, but not limited to, technical or nontechnical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, or a list of actual or potential customers or suppliers which is not commonly known by or available to the public and which information:
>
> (A) Derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and
> (B) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

To qualify as a trade secret, it must relate to a trade or business; it must be a secret (i.e., not known publicly or know generally within the trade or business concerned); and it must be used, or if not used, intended for use in a trade or business. Also, so-called "negative information" which is information as to what will not work, can be a trade secret.

A trade secret can be protected without a written agreement and can remain protectable as long as the information remains a trade secret. A trade secret does not prevent someone from "reverse engineering" the secret or independently developing it, unless there is a contractual prohibition to the contrary (e.g., a provision expressly prohibiting reverse engineering of a program by decompilation or disassembly). Public distribution of the object code does not mean that the software at the source code level cannot be protected as a trade secret.

B. Maintenance of a Trade Secret

How "secret" should the trade secret be maintained? The test is the reasonableness of the precautions taken. Some examples include:

1. Computer security measures to prevent unauthorized on-line access.
2. Requiring all outside parties to execute non-disclosure or confidentiality agreements.
3. Do not distribute the source code to an end user.
4. Having employees execute non-disclosure agreements.
5. Labeling all sensitive documents, such as drawings, "CONFIDENTIAL".
6. Excluding the public from sensitive areas in a plant.

A possible strategy to consider is to file a patent application while maintaining the subject matter as a trade secret. If a patent is about to issue, a decision could be made as to whether to allow it to issue or not, depending if the subject matter can still be protected as a trade secret.

C. Advantages and Disadvantages of Trade Secret Protection

1. Advantages

Trade secret protection protects ideas, not merely the expression of ideas as with copyrights, as long as those ideas are not readily observable or obtainable through reverse engineering. The subject matter protected as a trade secret does not have to rise to the level of a patentable invention. As long as a trade secret remains a secret, there is no time limit as to the length of protection, unlike patents and copyrights.

2. Disadvantages

A trade secret remains a trade secret only as long as it is secret. Therefore, trade secrets cannot protect those things which are readily observable or can be reverse engineered. Unlike patent protection, trade secret does not prohibit independent creation by another party.

III. COPYRIGHTS

A. Definition of Copyright

1. Generally

Copyright is a federal protection (Title 17, United States Code) given to the authors of original works of authorship from unauthorized copying or performance. Generally, most copyrightable works tend to fall into the following three statutory categories: (a) literary works (including computer programs); (b) pictorial, graphic and sculptural works; and (c) motion pictures and other audiovisual works.

2. "Works of Original Authorship"

The work must be the product of original, creative authorship. "Original" does not mean "novel" as with patents, it just means that it was not copied from another's work. Originality, even in the slightest degree, is all that is required. Additionally, copyright protection requires some degree of creative authorship.

3. What Cannot Be Copyrighted

a. Works that have not been fixed in a tangible form of expression, such as extemporaneous speeches or performances which have not been written or recorded.

b. Titles of books or magazines (but the contents are protected by copyright), names, short phrases, slogans, brand names or trademarks, colorings or mere listings or ingredients or contents.

c. Ideas, themes, procedures, methods of operation, systems, processes, concepts, principles or discoveries as opposed to a written description or explanation or illustration of the same.

d. Works consisting entirely of information that is common property and containing no original authorship (standard calendars, tape measures, report forms, order forms, tables taken from public documents).

B. Copyrightability of Computer Programs

In addition to patent protection, computer programs are also protectable by copyright. Associated written instructional material related to the development or explanation of the computer program (manuals, booklets, flowcharts and the like) are also copyrightable subject matter.

C. Idea vs. Expression of the Idea

Copyright protects only the expression of an idea, not the idea itself. That must be compared with patents which can protect the idea. Thus, a patentable invention or a trade secret is not protectable by copyright.

D. Derivative Works

Derivative computer programs are ones that are based upon or incorporate material from a previously published or registered or public domain program that has been revised, augmented, abridged or otherwise modified so that the modifications, as a whole, represent an original work of authorship which are subject to a new copyright. Examples: a substantial new program code is added to a previously published program to accomplish additional functions (e.g., upgrades); the translation of a previously published program from COBOL to FORTRAN; and perhaps, the adaptation of a previously published program to run on a different model or brand of computer, as long as the changes were not functionally predetermined.

E. Rights of a Copyright Owner

The owner of copyright has the exclusive right under 17 U.S.C. §106 to do and authorize each of the following:

(1) to reproduce the copyrighted work;
(2) to prepare new versions (or derivative works) based upon the copyrighted work;
(3) to publicly distribute copies of the copyrighted work;
(4) to perform the copyrighted work publicly in the case of literary, musical, dramatic and choreographic pantomimes, motion pictures and other audio visual works; and
(5) to display the work publicly. Under this right, an artist can control the manner in which a gallery, museum or individual displays his work.

Violation of any of those rights will give rise to an action for copyright infringement with resultant injunctive relief, damages and possibly attorney's fees. These rights are separable. For instance, with regard to the right to distribute a copyrighted work, that right can be transferred by the owner to a distribution of the work while the right to reproduce copies for distribution by the distribution remains with the owner.

F. Who Can Claim Copyright

Only the author or those deriving rights through the author can claim copyright. Authors of a joint work are automatically co-owners of the copyright in a work unless there is an agreement to the contrary. The mere ownership of a copyrighted work does not mean that you own the copyright in it. There has to be written transfer of all of the copyrights in that work.

G. Works Made for Hire

In the case of "works made for hire", it is the employer or other person for whom the work is prepared who is considered the "author" (i.e., the owner of the copyright) and not the employee or the person (such as an independent contractor) who actually created the work, unless there is an express written agreement to the contrary.

The copyright statute defines "work made for hire" as:

(1) a work prepared by an employee within the scope of his or her employment;

or

(2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a text, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. 17 U.S.C. §101.

It is always recommended that written agreements be entered into with employees and independent contractors that all copyrights in any original works of authorship fixed in any tangible medium of expression including designs, sketches, models, drawings, advertising, copy and computer software be assigned to the employer or the one who commissions the work without any additional compensation being paid.

H. Notice of Copyright

A copyright exists in a work the moment it is created and fixed in a tangible medium. A notice of copyright should be placed on all published and unpublished copies of work.

1. The Berne Convention and the Copyright Notice

The U.S. is a member of the Berne Convention as of March 1, 1989. Therefore, it is no longer necessary to place a copyright notice on published copies of a work publicly distributed on or after March 1, 1989 for that work to be entitled to copyright protection.

2. The Elements of the Copyright Notice

a. For **published** works:
  (1) The word "Copyright" or the abbreviation "Copr." or the symbol "©" (for embedding the copyright notice in source or object code), use "©");
  (2) The year date of publication; and
  (3) The name of the owner of the copyright.

Additionally, the phrase "All Rights Reserved" can be added to the notice for protection in Latin American countries.

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b. For **unpublished** works: It is recommended that a copyright notice be combined with a trade secret notice since most unpublished software works are also maintained as a trade secret:

CONFIDENTIAL AND PROPRIETARY

> THIS WORK CONTAINS VALUABLE AND CONFIDENTIAL AND PROPRIETARY INFORMATION. DISCLOSURE, USE OR REPRODUCTION WITHOUT THE WRITTEN AUTHORIZATION OF XYZ CORPORATION IS PROHIBITED. THIS UNPUBLISHED WORK BY XYZ CORPORATION IS PROTECTED BY THE LAWS OF THE UNITED STATES AND OTHER COUNTRIES. IF PUBLICATION OF THE WORK SHOULD OCCUR, THE FOLLOWING NOTICE SHALL APPLY:

"COPYRIGHT © 19XX XYZ CORPORATION ALL RIGHTS RESERVED"

If space is limited, the following notice can be used:

> THIS IS AN UNPUBLISHED WORK CONTAINING CONFIDENTIAL AND PROPRIETARY INFORMATION OF XYZ CORPORATION. IF PUBLICATION OCCURS, THE FOLLOWING NOTICE APPLIES:

"COPYRIGHT © 19XX XYZ CORPORATION ALL RIGHTS RESERVED"

The year date in the above notices is the date of creation since the work is unpublished.

3. Position of Notice

The notice should be affixed in such a manner and location to "give reasonable notice of the claim of copyright." The notice should be permanently affixed to the work and not placed on a detachable tag or label. The copyright notice should appear in source code listing, on the visual display when the program is booted up, on the diskette, on the carrying case for the diskette and on all user documentation. For hardware, the notice should appear on the product itself, such as the boards, on the chips and the machines (*i.e.*, by means of a plate affixed to the side of the machine).

I. Copyright Registration

1. Advantages of Registration

(a) registration (before or within five years after the first publication of the work) is prima facie evidence of the validity of the copyright and of the facts stated on the registration certificate;

(b) registration is required to file suit for copyright infringement;

(c) attorneys' fees and statutory damages (*i.e.*, damages which may be collected by a successful copyright infringement plaintiff even in the absence of a showing of actual damages or lost profits) are not available where a work was unregistered at the time of the infringement unless the work was registered within three months after the first publication;

(d) registration establishes a public record of the copyright claim; and

(e) the registration may be recorded with the U.S. Customs Service which will impound (and possibly destroy) imported infringing copies of the copyrighted work.

2. One Registration Per Program

The Copyright Office considers source code and object code as two representations of the same program. Therefore, for registration purposes, the claim is in the computer program rather than in any particular representation of the program. Thus, separate registrations of the source and object code of the same program are not appropriate.

The Copyright Office also considers the computer program and the associated screen displays as a single work, registrable on a single application form. Therefore, the Copyright Office will not issue separate registrations for the screen displays as audiovisual works and for the computer program whose code has been registered as a literary work.

3. Copyright Forms

Copyright forms may be obtained without charge from the Copyright Office:

Register of Copyrights
Library of Congress
Washington, D.C. 20559

Copyright Form TX is used for computer software.

4. Deposit for Registration (Software)

a. Generally

Only one copy of the program needs to be deposited. The Copyright Office considers the source code as the best representation of the copyrightable authorship in a computer program. Therefore, the deposit can be the first twenty-five (25) and the last twenty-five (25) pages "or equivalent units" of the program "together with the page or equivalent unit" containing the copyright notice. Where the copyright notice is encoded within the object code so that its presence and content are not readily discernible, the notice should be underlined or highlighted and its contents decoded. If the program is less than 50 pages in length, the entire program should be deposited.

b. "Rule of Doubt"

If only object code is deposited, registration for the computer program will be made under the Rule of Doubt if the applicant confirms in writing that the work as deposited contains copyrightable material. A program submitted in object code form will evoke a warning letter from the Copyright Office stating that no determination can be made concerning the existence of copyrightable authorship. A Rule of Doubt registration is undesirable, because it does not have the presumption of validity of the copyright that the usual registration has.

c. “Special Relief"

When a computer program contains trade secrets or other confidential material that the applicant is unwilling to disclose by depositing the first and last twenty-five (25) pages of source code, the Copyright Office is willing to consider special relief requests enabling the applicant to deposit less than or other than the usual fifty (50) pages of source code. Special relief requests for the following three (3) deposit options of "incomplete copies" are presently being granted upon receipt of the applicant's written request for special relief:

(i) First and last twenty-five (25) pages of source code with trade secret portions blocked out, provided that the blocked-out portions are proportionately less than the material still remaining;

(ii) At least the first and last ten (10) pages of source code alone (with no blocked-out portions); or

(iii) The first and last 25 pages of object code plus any ten or more consecutive pages of source code (with no blocked-out portions).

J. Duration of Copyright

The duration of a copyright is the life of the author plus fifty (50) years. In the case of a work for hire, the copyright endures for a term of seventy-five (75) years from its first publication, or a term of one hundred (100) years from the year of its creation, whichever expires first.

K. Copyright Infringement

Certificate of registration needs to be obtained before an action for copyright infringement can be instituted. The copyright owner must prove that the copyrighted work was copied, which is usually shown by evidence that the accused had access to the copyrighted work and that the accused's work is substantially similar in appearance to the copyrighted work.

The remedies for copyright infringement include an injunction and impounding and destruction of the infringing article. 17 U.S.C. §§502 and 503. Also, the copyright owner may obtain his or her actual damages and any profits of the infringer or, if the work is registered within three months of its publication, statutory damages which may be as high as $100,000 if willful infringement is found. 17 U.S.C. §504.

L. Advantages and Disadvantages of Copyright Protection

1. Advantages

Copyright registrations are relatively easy to obtain, in a relatively short period of time for a low cost and are easily maintained. Also, the term of a copyright is very long. Copyright litigation is significantly less expensive than corresponding patent or trade secret litigation.

2. Disadvantages

However, the disadvantages of copyright protection is that it does not protect the underlying ideas of a work or functions performed by software. Thus, it may be relatively easy to avoid copyright infringement and yet have a program perform the same function as a copyrighted program by changing the expression of the original program.

IV. TRADEMARKS

A. Terminology

1. Trademark

A trademark or "brand name" comprises any:

- **word or group of words, such as a slogan** (GEORGIA TECH, CABBAGE PATCH KIDS, DON'T LEAVE HOME WITHOUT IT),
- **logo, symbol, pictorial representation or design** (NIKE "Swoosh", Lacoste Alligator, apple for APPLE computers, five interlocking Olympic rings),
- **numeral(s), letter(s) or combination thereof** (501 jeans, IBM computers, LOTUS 1-2-3, V-8 juice),
- **shape of a container or packaging** (COKE bottle, conical top of CROSS pen),
- **color** (orange for THE HOME DEPOT stores, pink for Corning's insulation),
- **sound** (lion roar for MGM, chimes for NBC, roar of a motorcycle for Harley-Davidson), or
- **scent** ("the mark consists of a high impact, fresh flower fragrance reminiscent of plumeria blossoms" - U.S. Reg. No. 1,639,128)
  which
- is **adopted and used** in commerce by a manufacturer or business person;
- **to identify** that person's goods or products;
- **to distinguish** those goods from goods manufactured or sold by another; and
- **to indicate** the source of the identified goods.

2. Service Mark

A service mark is used in the sale or advertising of services to identify the services of one person and distinguish them from the services of others, such as McDONALD'S and OFFICE DEPOT. Service marks are afforded the same legal protection as trademarks, and are also registrable in the same manner and with the same effect.

3. Trade Name

Normally, the name of a business entity is not registrable unless it is used as a trademark or service mark. A trade name is usually identified by its ending in the term "Company/Co.", "Corporation/Corp.", "Inc." or "Ltd." (McDonald's Corporation [trade name] v. McDONALD'S restaurants [service mark]).

B. Selection and Adoption of a Mark

1. Types of Marks

a. Fanciful - A fanciful mark is created solely for the purpose of functioning as a mark and has no other meaning: XEROX, KODAK, EXXON, CLOROX, KOTEX and POLAROID.

b. Arbitrary - An arbitrary mark comprises a common word or symbol which is arbitrarily applied to the goods or services in question in such a way that it is not descriptive or suggestive (i.e., the word or words used for the mark do not in any way describe anything about the product at all), such as: COMMAND hair care products, SHELL gasoline, APPLE computers, ICE CREAM chewing gum, GUESS? jeans and DIE-HARD batteries.

c. Suggestive - A suggestive mark is one which merely "suggests" but does not describe qualities or functions of a particular product or service. If the qualities are not instantly apparent and there must be an exercise of imagination in order to convey the characteristics or qualities of the product or service, the mark is suggestive: CROSSTALK software, STRONGHOLD nails, 7-ELEVEN retail store services, COPPERTONE tanning products, RAPID SHAVE shaving cream, GLEEM toothpaste, ROACH MOTEL roach bait, WOOLITE wool cleaner and HONEY MAID graham crackers.

d. Merely Descriptive - A merely descriptive mark generally has the narrowest protection because it immediately identifies or brings to mind the characteristics, qualities, ingredients, functions, composition, purpose, attribute, use or other features of a product or service and is protectable only upon a showing through use and advertising of a "secondary meaning" or distinctiveness, namely, that the consumer accepts and recognizes the mark as denoting only one source: CHAP-STICK chapped lip treatment, SHEAR PLEASURE beauty salon, HAIR COLOR SO NATURAL ONLY HER HAIRDRESSER KNOWS FOR SURE hair coloring, BEEF AND BREW restaurants, HOUR AFTER HOUR deodorant and RAISIN-BRAN cereal.

e. Generic - A generic mark is the common name of a class of things and is, by definition, incapable of indicating source and never can function as a trademark or service mark. Terms which, at one time, functioned as trademarks but which, as a result of widespread use, came to mean to the general public the product itself instead of merely one manufacturer's brand or version of the product include: aspirin, cellophane, cola, cornflakes, cube steak, dry ice, escalator, high octane, kerosene, lanolin, linoleum, mimeograph, murphy bed, nylon, raisin bran, refrigerator, shredded wheat, thermos, trampoline, yo-yo and zipper.

Thus, the term "BRILLIANT" would be:

- merely descriptive for diamonds,
- suggestive for furniture polish, and
- arbitrary for applesauce.

2. Pre-Adoption Investigation

Once the mark is selected, but prior to its use, a thorough search should be undertaken to determine whether the mark is available for both use and federal registration. Sources for such investigation include:

a. Records of the U.S. Patent and Trademark Office

A prospective trademark user is charged with constructive notice of any identical or confusingly similar mark that is federally registered. Even though a confusingly similar mark appears in an abandoned application or an expired registration, the owner of that mark may still be using the mark and, thus, have protectable common law rights against a subsequent user.

A search of the Trademark Office can be conducted by hand in the Office records or by means of the TRADEMARKSCAN database (file 226) of DIALOG services. Also, file 116 ("Brand Names") of TRADEMARKSCAN can be searched. There are several private search firms, including:

THOMSON & THOMSON: http://www.thomson-thomson.com
DIALOG: http://www.dialog.com/
QUESTEL/ORBIT: http://www.questel.orbit.com/patents/
MICROPATENT: http://www.micropat.com/trademarkwebindex.html
CORSEARCH: http://www.corsearch.com

Also, if use of the mark is contemplated in any foreign countries, the trademark and service mark records of those countries should also be searched. Searching of the trademark records of such countries as Canada (file 127), France (file 657), Germany (672) and the United Kingdom (file 126), can be performed on the TRADEMARKSCAN database of Dialog Services.

b. State Trademark Records

The TRADEMARKSCAN database (for state records file, 246) can be utilized to search the trademark and service mark records of the various states.

c. Internet Searching

You can use the Internet to search business names across the country, such as:

BIG YELLOW: **http://s8.bigyellow.com/**
BIG BOOK: **http://www.bigbook.com/**
SWITCHBOARD: **http://www2.switchboard.com/**
WHOWHERE: **http://whowhere.com/business.htm/**
GTE SUPERPAGES: **http://superpages.gte.net/**
WORLD PAGES: **http://www.worldpages.com/**
ZIP2: **http://www.zip2/com**
ON'VILLAGE: **http://www.onvillage.com/**

d. Misconceptions

(i) The fact that one has incorporated, qualified to do business under a name or registered the name in the assumed name records of a particular state does not automatically give rise to the right to use the name as a mark.

(ii) A person does not have an absolute right to use his or her name as a trademark or service mark.

(iii) Registration in a state of the mark as a trademark or service mark does not necessarily mean it is permissible to use the mark everywhere.

(iv) An assignment of a mark, absent the goodwill of the business connected therewith, is invalid.

C. Registration of a Mark in the U.S. Patent and Trademark Office

The U.S. Patent and Trademark Office has a web site on the basic facts of registering a trademark at: **htpp://www.uspto.gov/web/offices/tac/doc/basic**.

1. Advantages of Registration

Registration of a mark on the Principal Register allows an owner:

- to prevent registration of the identical or confusingly similar marks;
- to secure injunctive relief and damages against infringers in federal court;
- to assert the registration in federal court as prima facie evidence of the validity of the registration, of the ownership of the mark and of the right to exclusively use the mark in commerce;
- to have the mark treated as incontestable after five years' use;
- to eliminate the defense of innocent adoption by anyone using the mark after the date of registration, thereby affording nationwide protection to registered marks, regardless of the areas in which the mark is actually used; and
- to prevent the importation of goods with infringing or counterfeit marks by recording the mark with U.S. Customs (note: not to be confused with "grey market" goods).

2. Actual Use vs. Intent to Use Applications

A dual-application system now exists in the U.S. Patent and Trademark Office that permits the filing of trademark/service mark applications based upon an intent to use the mark, as well as applications based on actual use of the mark in commerce. However, while an application may be filed based on a bona-fide intent to use the mark, the applicant will still have to make actual use of the mark in commerce before the mark can be registered.

3. Term of a Registration

Federal trademark/service mark registrations are valid for a period of ten years and are renewable for ten year periods as long as the mark remains in actual use. Additionally, between the fifth and sixth year from the date of a federal registration, the registrant must file a declaration or affidavit that the mark is still in use as of that date. Failure to file such a statement will cause the registration to be cancelled by the Trademark Office.

D. The Care and Feeding of Marks

Proper usage for trademarks and service marks to prevent "genericide" (*i.e.*, a mark becoming generic and, thus, ceasing to indicate source) includes:

- Always use the mark as a proper adjective which modifies a noun, such as CABBAGE PATCH KIDS dolls, LEVIS jeans, XEROX copy machines.
- Never use a mark in the possessive form, in the plural form or as a verb.
- Avoid prefixes, suffixes, additions or deletions of the mark.
- Distinguish the mark in use from surrounding text such as a distinctive type face, quotation marks, all capital letters or, at the very least, capitalize the first letter of each word of the mark.
- For marks registered in the U.S. Patent and Trademark Office, use the symbol of registration, namely, "®" or the phrase "Registered in the U.S. Patent and Trademark Office" or "Reg. U.S. Pat. Tm. Off."
- For unregistered marks, use either the informal notice "^{TM}" or "^{SM}" or an asterisk indicating "A trademark/service mark of XYZ Company."

II. DEVELOPMENT OF INTELLECTUAL PROPERTY POLICIES

A. GENERAL

1. "Intellectual Property Issues," by Karen Hersey

B. INSTITUTIONAL POLICIES

1. Brigham Young University
2. Texas A & M University

INTELLECTUAL PROPERTY POLICIES

NACUA Advanced Workshop,
November 12, 1998

Karen Hersey
Intellectual Property Counsel, MIT

I. Setting the Stage: Why Research Universities Need an IP Policy

A. Because Intellectual Property rights (patents, copyrights, trademarks) attach to both research work product and to administrative work product. Although patent rights and trademarks require some action to be taken to seek protection, copyrights attach automatically.

B. Research contracts and grants (federal, industrial, state) almost always carry terms governing the disposition of intellectual property developed under the research program.

C. Faculty and students have an interest in publishing their scholarly works. Disposition of the Copyrights in the work is always part of a contract with the publisher. Therefore a policy must be in place that determines whether the copyright is with the author or the institution.

D. All universities have an interest in owning/controlling the work product non-academic employees and service providers. If not a "work for hire", there must be a policy on when copyrights and inventions must be assigned to the university.

E. Lectures, course curriculum, creative and artistic works etc. are copyrightable. Who will own/control the copyrights? Individual faculty, department, visiting scholar/artist, university? Without clear policies universities will continue to make ad hoc decisions that may not be in the best interests of either the authors or the institution.

F. Institutional Technology Transfer operations are based upon intellectual property rights and the institutional policies that dispose of them.

II. Defining a "Good" Intellectual Property Policy

A "Good" IP Policy will:

A. Focus on the University's Mission (What is MOST important?)

- Dissemination of Knowledge (teaching and publication)

Result: Lesser emphasis on IP protection, small technology transfer program, no emphasis on industry-funded research; greater degree of ownership rights by faculty and students; more emphasis on public domaining research results.

- Research
  Result: Greater institutional control of IP (due to industrial and federal requirements); more flexible licensing arrangements with industry; more emphasis on industry needs such as publication delays, rights to improvements, rights of first refusal for follow-on research.

- Technology commercialization
  Result: Greater institutional control of IP; IP strategies geared towards commercialization by inducing investment (exclusive licensing preferred); more flexible royalty-sharing with inventors to induce disclosures; balance between licensing large and small companies/start-ups, i.e., no preference.

- Public Service (local, state, national economic development)
  Result: More balanced IP ownership policy promoting technology transfer as driven by economic development opportunities. Preference for licensing regional companies, small companies; will encourage local start-ups by inventors and consider providing incubator facilities; more flexible ownership policies to provide opportunity for local companies to own the IP, institution to provide testing services, may be less emphasis on publication. Economic policies will drive implementation of IP policy. May run into controversy on exclusive vs. non-exclusive licensing depending upon regional/national economics.

B. Take into consideration (not neglect) the Legal Bases for Ownership

- Employee-Employer Relationship
  Certain IP is owned by the institution as the employer, i.e., works developed by employees within the scope of employment. Question: Are faculty, research scientists "hired to invent." Students not generally employees so institution will not own their work/inventions without agreement or VERY strong and well-published policy. Agreements strongly preferred.

- State Laws Relating to "Public" Institutions
  Can inventors/authors be paid royalties? Can institutional IP be assigned, exclusively licensed? Can institution hold equity? Can institution contract with its employees i.e. license to faculty start-up?

- Research Contract Requirements
  Most industrial research contracts require university to own IP. Often

institution must WARRANT that it owns the IP developed under the program. Research contracts provide for license rights . . . institution must be in a controlling position to fulfill obligations.

- Federal Procurement Requirements

  FARs require institution to own patents. Some Agencies permit author to own certain copyrights (NSF, NIH), others place ownership with the Contractor (university). Some contracts do not permit assertion of copyright; some contracts require assignment of copyright to the Agency. University must have a right to control ownership in order to ensure compliance. At minimum, government generally gets "unlimited" rights in copyrightable materials, data developed with federal funds.

- Federal and State Tax Consequences

  Institutions need to be concerned with UBIT, unfair competition with taxable entities, private enurement, tax-exempt bond financing, royalty payments to inventors as "income derived from employment", private business use of facilities.

- Custom (Academic freedom)

  Scholarly works commonly belong to authors; publication rights generally controlled by authors; student work almost always author-owned.

C. Enumerate types of intellectual property the policy will cover

- patents, copyrights, trademarks, designs, plants, computer software, video, multimedia, other?

D. Determine under what circumstances the University is willing to assume costs of protecting intellectual property (prosecution and enforcement, defense) and what happens if it declines to do so?

E. Define inventor and author rights including royalty-sharing, right to hold equity, reserved rights to use materials, right to request waivers

F. Consider whether the University should retain a right to use all intellectual property developed by faculty, students and staff for purposes of education and research ("shop right")?

G. Define who will Administer the Intellectual Property Policy

- Vice president for Research, Research Office, Technology Transfer Office, Intellectual Property Office, Provost, Other?

H. Determine the default for IP that is "stranded" i.e. not covered by any of the established policies

III. Necessary Ingredients for Changing the IP Policy

A. Designing the Strategy

- Review existing faculty agreements. Are they employment agreements, union agreements, do they recite consideration for assignments. Do you need to offer consideration for the changes you are making?
- Provide "good" reasons for changing the policy using a faculty focus committee if necessary
- Get backing from the Administration
- Define path of least resistance

B. Implementing a Change in Policy

- Get faculty buy-in. Use Academic Council, Faculty Senate etc.
- Provide samples of other institutional IP policies that are consistent with the change(s) you need to make*
- Issue a FAQ
- Hold a Town Meeting
- Avoid the "give back" syndrome, but remember to keep in mind that faculty and staff are "employees." Students are not, but are subject to reasonable policies of the institution . . . i.e., degree requirements, use of facilities etc.

C. Last Resort

- If change is not necessary to comply with the law, try voluntary compliance (gentle persuasion)
- If change is necessary to comply with the law, issue notice ofthe change, and enforce it using least intrusive methods possible .

IV. "Selling" the Institution's Intellectual Property Policy

A. By educating the community and focusing on the positives

B. By making it simple (eliminating legal jargon eliminates mistrust and misinterpretation)

C. Provide incentives

D. Good Public Relations goes a long way

E. Model Agreements incorporating policy will result in "normalizing" the policy

F. Showcase successful research partnerships, technology transfer arrangements, commercialization of products

G. If policies have a solid foundation, are applied consistently, are explained to industry in terms that both scientists and management can understand and are fair and reasonable, industry will accept them

* For examples of intellectual property and technology transfer policies from other research universities visit the AUTM Website at:

http://www.crpc.rice.edu/autm/

THE BYU
INTELLECTUAL PROPERTY POLICY

TABLE OF CONTENTS

Brigham Young University faculty, administrative, staff, and student personnel are regularly involved in scholarly activities which include teaching, research, and other creative activities. While the primary focus of such efforts is the advancement of the central purposes of the university, the products of scholarship often have implications for wider and differing applications. These products intellectual properties thus may be of benefit to the individuals involved and to the university. This policy is intended to support faculty, staff, and students in identifying, protecting, and administering intellectual property matters; defining the rights and responsibilities of all involved; and establishing support offices to provide the required assistance. It also stipulates how income generated should be distributed to the developers and to the university. All administrators, faculty, staff, and employed students are defined as "University Personnel." Administrative title substitutions, such as "director" for "dean," and "supervisor" for "chair," will apply in appropriate sections of this policy statement.

I. TYPES OF INTELLECTUAL PROPERTY

Intellectual Properties are divided into two categories, Technical Works and Academic Works. Technical Works include intellectual properties that are generally of a scientific, engineering, or technical nature such as patentable or unpatentable inventions, devices, machines, processes, methods, and compositions; computer software; and university collections. Academic Works include all intellectual properties not covered in Technical Works that are of an artistic, scholarly, instructional, or entertainment nature. Examples might include creative productions, such as works of art or design; musical scores; books, poems, and other types of scholarly or creative writings; films; video and audio recordings; and instructional materials, such as textbooks and multimedia programs. All computer software is included in Technical Works except that which is clearly developed for entertainment or for instructional purposes, e.g., electronic textbooks and textbook supplements, classroom and self study tutorials, etc. Academic Works do not include those productions of drama, music, athletics, and similar events that are managed by appropriate academic departments, colleges, or academic support units, and are expressly approved by the President's Council as not being subject to this policy. Traditional academic publications, such as professional papers published in scholarly journals, are not included, except under specific and unusual circumstances. Likewise, the juried artistic creations or performances that are the academic, non-commercial, equivalent of such scholarly publications are not included.

II. MANAGEMENT OF INTELLECTUAL PROPERTY

The business aspects of commercializing intellectual properties are the responsibility of the intellectual properties support offices, the Technology Transfer Office, and the Academic Works Support Office. These units report to the Academic Vice President through the Associate Academic Vice President for Research. The Director of each office has the responsibility of working closely with faculty, other university employees, and academic administrators in managing the commercialization of university intellectual properties.

The Directors are also to work closely with existing department, college, and university offices and programs, and the Intellectual Property Advisory Committee to effect the appropriate academic and financial returns for the developer(s) and the university while properly protecting the interests of all parties. This management includes educating University Personnel, soliciting and reviewing disclosures, obtaining intellectual property protection, licensing and marketing the properties, monitoring licensee performance, and collecting and distributing revenues. Where appropriate, the Directors will assist the Office of Research and Creative Activities in negotiating intellectual property aspects of sponsored research contracts.

The university does not sponsor product manufacturing, company support functions, customer service, or technology maintenance. In general, it is not appropriate for academic units to produce, market or sell products, or to establish organizations or companies to do so. Instead, the

Technology Transfer Office and/or the Academic Works Support Office has the responsibility to license or sell university developed products to end-users when sales and support do not interfere with the normal activities of campus personnel, and when the sale is consistent with the educational mission of the university.

Both the Technology Transfer Office and the Academic Works Support Office may use their allotted portions of the net income received to employ individuals to fulfill specific functions, such as licensing specialists, clerical support personnel, or media specialists to assist with production and distribution of videos and films. (Expenses such as mailing, copying, and other support consistent with marketing the product will be deducted from income generated before distributions are made pursuant to this policy.)

It is the responsibility of deans and chairs, in harmony with the guidelines that follow, to act so that university resources including faculty time are used appropriately, and to work with the Technology Transfer Office and the Academic Works Support Office to promote proper fulfillment of the objectives of this policy.

III. INTELLECTUAL PROPERTY ADVISORY COMMITTEE

An Intellectual Property Advisory Committee will advise, evaluate, and correlate the activities of scholarly works support services; review current procedures and practices and make recommendations for future directions; resolve conflicts of interest; arbitrate decisions concerning the assignment of intellectual property to one of the offices; and mediate and resolve any disputes between the university and the developers. The Associate Academic Vice President for Research will appoint the committee from nominations by the deans, with final approval from the Academic Vice President. Committee members will include four to six experienced faculty members, equally selected to represent the Academic Works and Technical Works fields (none of whom have current administrative appointments), and an attorney from the Office of General Counsel. Care will be taken to include representation from areas with major and constant involvement with intellectual properties. The Committee will be chaired by the Executive Director of Research and Creative Activities.

IV. OWNERSHIP

Intellectual properties (both Technical Works and Academic Works) developed by University Personnel within their specified scope of employment are considered by Federal patent and copyright law to be the property of the university. The university retains ownership rights to all Technical Works, but relinquishes ownership rights to the developer(s) of Academic Works when "Nominal" use of university resources are involved in the production of the intellectual property. However, when "Substantial" university resources are used in the production of Academic Works, or where the work results from specific assignments or contracts, the university will retain its ownership position, and income from the project will be shared with the developers. The conditions that differentiate between Nominal and Substantial use of university resources are discussed below. Decisions based upon the extent of the utilization of university resources are to be negotiated with developers by the deans in consultation with the appropriate support office and within these general guidelines prior to approval by the Academic Vice President's Office.

IV.A. Nominal Use of University Resources

Nominal use of university resources is use that is customary or usual within the Employee's appointment and academic assignments. For example, the use of assigned office, computer, photocopier, telephone, office supplies, and secretarial assistance in the ordinary support of his or her teaching, scholarly activities, and service activities is considered to be Nominal. University Personnel may make such nominal use of university resources and devote office time in carrying out a range of professional activities, some of which may involve income-generating projects. The university relinquishes (to the developers) ownership of Academic Works and its rights to any income generated as long as university resources are used in this Nominal (or customary) fashion, and the time involvement of the developer(s) of the project does not compromise their core responsibilities in teaching, scholarly work, and university citizenship.

IV.B. Substantial Use of University Resources

Substantial use of university resources in generating Academic Works is defined as use of university facilities, equipment, personnel and one's own time beyond the Nominal (or customary) use described in IV.A., above. Substantial use of resources results when the creation of the work requires use of university resources beyond those allocated to the faculty in support of their academic work within their respective department or college. Such usage may occur as a result of actions of the University Personnel involved, or may occur when specific assignments are given to University Personnel, or where contracts or other obligations are involved. The university will retain title to all Academic Works that make Substantial use of university resources.

The following examples generally define such use when they are applied, singly or in combination, in support of a revenue-producing work. While it is the responsibility of the dean or equivalent supervisor to evaluate situations and determine that Substantial use of resources has occurred, faculty members or other employees also have an obligation to notify their supervisor when they believe that their work will involve more than Nominal use. The following are examples of Substantial use:

a. Extended use of time and energy by the developer(s) in the creation or promotion of the work that results in a reduction in the levels of teaching, scholarship, or citizenship activities, so that anticipated performance in these areas is at a level significantly less than normal;

b. Substantial use of university facilities such as laboratories, studios, equipment, production facilities, or specialized computing resources;

c. Extraordinary university funding in support of the work's creation;

d. Direct assignment or commission from the university to undertake a creative project as a part of the developer's regular appointment;

e. Substantial use of funding from gifts to the university to support creation of the works involved;

f. Production of the works under specific terms of a sponsored research grant or contract;

g. Extensive subvention by the university of the publication of a scholarly book or creative work;

h. Use of specifically designated university funds to support media production. Such support will require negotiation and agreement by the developer(s) and the involved administrators as to the ultimate management and financial considerations of the project.

IV.C. Repayment of University Support Funds

In certain situations of Substantial use of university funds and other resources, it may be more appropriate for the developer(s) to repay such funds to the university and thus fall under the Nominal rather than Substantial use provisions of this policy. Determination of the appropriate level of repayment is made by the dean in consultation with the developer(s) and the appropriate support office.

IV.D. Consulting and Intellectual Properties

University Personnel who anticipate engaging in consulting, off-campus research, or development in their areas of expertise independent of their campus endeavors, and in which University Personnel or a third party may claim an ownership interest, must communicate the scope of such off-campus endeavors to their department chair and dean and obtain written approval prior to commencing the endeavors. The form "Approval for Professional Activities in Addition to Regular University Assignments, B: Consulting" (which should be completed for all consulting activities) is used for this purpose. If University Personnel are to be engaged as consultants or otherwise employed by a company that is either anticipating or has executed a license agreement with the university, the consulting or other agreement shall be submitted to the appropriate university office for their review prior to its execution.

The University does not ordinarily assert ownership to works produced by those involved with consulting. In cases where Substantial use of university resources occurs to support the consulting activity, there should be negotiation between the consultant and the chair and dean to determine disposition of the Academic Works. Often such activities are more properly carried out as sponsored projects.

IV.E. Student Ownership of Intellectual Properties

Students who independently develop intellectual property arising out of their participation in programs of study at the university or through the Nominal use of university facilities, and that do not result from their employment at BYU, will retain the ownership rights to such property. Students involved in Substantial use of university resources, or whom are employed by the university, will fall under IV.B. However, any student not employed by the university, but engaging in research or development of intellectual property under the supervision and direction of a faculty member in connection with a program or activity subject to this policy shall have no ownership interest in the resulting property but may participate in the income distribution (see Section VI.). Faculty using such volunteer, non-employed students in their scholarly work projects should have the students sign an "Employee and Student Assignment of Ownership and Nondisclosure Agreement" form, available from the Technology Transfer or Academic Works Support Offices.

IV. F. Assignment of Intellectual Properties to the University

Students or University Personnel owning intellectual property may elect to voluntarily disclose and submit their properties to either the Technology Transfer Office, or the Academic Works Support Office for the purpose of facilitating commercial development. In the event that either of the support services offices agrees to accept management of the disclosure, the property shall be assigned to BYU and the students or University Personnel shall be entitled to the same distribution of revenues and other rights and responsibilities of developers of university owned property, as specified in this policy.

IV.G. Release of University Ownership (Other than IV.A.)

The university may, at its sole discretion, determine to release to the developer(s) its ownership rights to any intellectual property upon such conditions as the university deems beneficial and fair to all parties. The release of rights must be approved by the appropriate dean and also will be verified in writing to all parties.

IV.H. University Use of Technologies and Properties Created by University Personnel

University personnel or students who develop, and pursuant to this policy, have an ownership interest in any intellectual property shall, as a minimum, grant to the university a royalty-free, paid-up license to use the property for internal, noncommercial purposes. When the University or Church of Jesus Christ of Latter-Day Saints wishes to use intellectual properties developed under IV.A. or IV.B. for any purpose it will negotiate with the developer(s) and appropriate administrators and specify any agreements for such use in writing.

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TEXAS A & M UNIVERSITY

MANAGEMENT OF INTELLECTUAL PROPERTY SYSTEM REGULATIONS

17.02.01 Management of Intellectual Property

September 24, 1997

Revised September 5, 1998

Supplements System Policy 17.02

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1. DEFINITIONS

For the purposes of this regulation, the following terms are defined as follows:

1.1 Invention: A process, method, discovery, device, plant, composition of matter, or other invention that reasonably appears to qualify for protection under the United States patent law (utility patent, plant patent, design patent, certificate of Plant Variety Protection, etc.), whether or not actually patentable. An Invention may be the product of a single inventor or a group of inventors who have collaborated on a project.

1.2 Copyrightable Work: An original work of authorship which has been fixed in any tangible medium of expression from which it can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device, such as books, journals, software, computer programs, musical works, dramatic works, videos, multimedia products, sound recordings, pictorial and graphical works, etc. A Copyrightable Work may be the product of a single author or a group of authors who have collaborated on a project.

1.3 Trademark (including Service Mark): A distinctive word, design or graphic symbol, or combination word and design, that distinguishes and identifies the goods and services of one party from those of another, such as names or symbols used in conjunction with plant varieties or computer programs.

1.4 Tangible Research Property: Tangible items produced in the course of research including such items as biological materials, engineering drawings, integrated circuit chips, computer databases, prototype devices, circuit diagrams, and equipment. Individual items of Tangible Research Property may be associated with one or more intangible properties, such as Inventions, Copyrightable Works and Trademarks. An item of Tangible Research

Property may be the product of a single creator or a group of individuals who have collaborated on a project.

1.5 Intellectual Property: Collectively, all forms of intellectual property including but not limited to Inventions, Copyrightable Works, Trademarks, and Tangible Research Property.

1.6 Intellectual Property Committee: A standing committee appointed by the Chancellor of the System and representing various components of the System whose purpose is to provide a forum for discussion of policies and procedures affecting Intellectual Property and to advise the Chancellor and Chief Executive Officers (CEOs) regarding Intellectual Property matters.

1.7 System Technology Licensing Office (TLO): A System administrative office whose mission is to promote the transfer of System technologies for society's use and benefit while generating unrestricted income to support research and education. The TLO is responsible for administration and implementation of the System's Intellectual Property program, and for assisting and advising the System components and the System Intellectual Property Committee.

2. GENERAL

The System has a responsibility for and an interest in the advancement of scientific knowledge and creative work that will enhance its educational, research and service missions and benefit the public it serves. The purpose of these regulations is fourfold:

2.1 to encourage the development of Intellectual Property for the best interest of the public, the creator of the Intellectual Property, the System, the System component and the research sponsor; and

2.2 to provide timely disclosure and protection of Intellectual Property whether by development, commercialization, or publication, or any combination thereof; and

2.3 to allow employees of the System maximum scientific and professional freedom with respect to the method of disclosure and publication of their findings, consistent with any contractual obligations of employment or sponsored research; and

2.4 to provide procedures for the protection of System Intellectual Property through patents, copyrights and trademarks, and for the licensing of System Intellectual Property for commercial application, for the benefit of the public.

3. APPLICABILITY

This regulation is applicable to (i) all persons employed by the System; and (ii) any persons using the System facilities under the supervision of System personnel, including but not limited to visiting faculty and adjunct faculty, unless special terms for management of the work of such individuals are negotiated by the System or the applicable System component. System employees should not enter into intellectual property agreements related to outside employment, such as consulting or summer employment agreements, without affirmative notice to the prospective employer that the intellectual property rights of the System cannot be subordinated to a third party consulting or employment agreement.

4. MANAGEMENT OF INVENTIONS

Inventors shall be permitted maximum freedom with respect to their Inventions, consistent with any obligations to the System. All System employees are required to abide by their obligations and those of the System under research agreements with sponsors.

4.1 Ownership

4.1.1 An Invention resulting from activities related to an individual's employment responsibilities and/or with support from System-administered funds, facilities or personnel shall be owned by the System.

4.1.2 An Invention unrelated to an individual's employment responsibilities that is developed on his or her own time without System support or use of System facilities is not owned by the System.

4.1.3 Ownership of an Invention developed in the course of or resulting from research supported by a grant or contract with the federal government (or an agency thereof) or a nonprofit or for-profit nongovernmental entity, shall be determined in accordance with the terms of the sponsored grant or contract, or in the absence of such terms, shall be owned by the System.

4.1.4 Present and prospective employees of the System shall, upon request by the Chancellor or the CEO of the respective component, or by the TLO to perfect intellectual property rights, execute an invention assignment agreement in a form prescribed by and available from the TLO to set forth effectively the ownership and rights to inventions. Executed invention assignment agreements shall be maintained in the respective Department Head's office, by the Human Resource Office of the respective System component, in the TLO, or in a similar office as determined by the component CEO.

4.2 Disclosure, Assignment and Protection

4.2.1 All persons subject to these regulations under Article 3 above shall promptly disclose through their CEO to the TLO any Invention covered by this regulation, including those made under sponsored research or cooperative arrangements. Disclosure shall be made on a disclosure form prescribed by and available from the TLO. Such persons shall cooperate with the System and the TLO in protecting intellectual property rights in the invention, to the best of their ability. If the System component or the System decides to patent or seek other available protection for theinvention, it shall proceed through the TLO, in cooperation with the Office of the General Counsel.

4.2.2 All inventors shall execute appropriate assignment and/or other documents required to set forth effectively the ownership and rights to Inventions.

4.2.3 The CEO, in cooperation with the TLO, will determine whether the System component desires to commit funding to obtain protection for the Invention, and shall so notify the TLO and the inventor of the decision. In many cases, the CEO may advise the TLO to seek to identify one or more licensees who will bear the cost of obtaining patent protection.

4.2.4 In those instances where the inventor perceives that delay would jeopardize obtaining the appropriate protection for the Invention, the inventor may request that the System component expedite its decision as to whether or not it shall proceed to file a patent application or take other steps to obtain available protection.

4.3 Negotiation and Execution of License Agreements for Inventions

4.3.1 License agreements granting to a third party the right to use, develop, or otherwise commercialize System-owned Inventions are encouraged. The TLO has primary responsibility for negotiating with parties having an interest in such activities, on behalf of and in close coordination with the CEOs of the System components (or their designees) administering the research from which the Invention was developed.

4.3.2 Final terms of a license agreement for a System-owned Invention must be approved by the CEO of the System component administering the work, as well as the Office of the General Counsel, in accordance with contract management protocols specified in Section 25 of the System Policy and Regulation Manual. The TLO will secure such approvals and then shall forward a recommendation to the Chancellor. Any agreement to license or transfer ownership of System-owned Inventions must be approved by the Chancellor.

4.4 Obligations to Sponsors

The TLO, in cooperation with the sponsored projects offices of the System components, and the Texas A&M Research Foundation, shall coordinate reporting requirements and other obligations to research sponsors regarding Inventions developed under a research contract or grant, including but not limited to obligations to the US Government under 37CFR401.

5. MANAGEMENT OF COPYRIGHTABLE WORKS

The System encourages the preparation and publication of Copyrightable Works that result from teaching, research, scholarly and artistic endeavors by members of the faculty, staff and student body of the System components. Authors shall be permitted maximum freedom with respect to their Copyrightable Works, consistent with the obligations to the System. Copyrightable works may be created under a variety of circumstances and conditions which impact the ownership and subsequent management thereof, as follows.

5.1 Ownership of Copyrightable Works

5.1.1 Books, Articles and Similar Works

In keeping with academic tradition, and except to the extent required by the terms of any funding agreement, the System does not claim ownership to pedagogical, scholarly or artistic works, regardless of their form of expression. Such works include but are not limited to faculty-prepared works such as textbooks, course materials and refereed literature. Such works include those of students created in the course of their education, such as dissertations, papers and journal articles. Furthermore, the System claims no ownership in popular nonfiction, novels, poems, musical compositions or other works of artistic imagination that are not works for hire (see 5.1.2 below). If title to copyright in works defined within this section vests in the System by law, the System or its component will, upon request and to the extent consistent with its legal obligations, convey copyright to the authors of such Copyrightable Works. If a faculty member retains title to copyright in teaching or course materials that are not works for hire (see 5.1.2 below), such as class notes, curriculum guides and laboratory notebooks, the System and/or the System component shall retain a royalty-free right to use the materials for educational purposes.

5.1.2 Institutional Works or "Works for Hire"

The System, or the System component as applicable, shall retain ownership of Copyrightable Works created as institutional rather than personal efforts, that is, created for institutional purposes in the course of the creators' employment, including but not limited to simultaneous or sequential contributions over time by numerous faculty, staff or students. For instance, work assigned to programmers is Institutional

Work or "work for hire" as defined by law, as is software developed for System or System component purposes by staff working collaboratively.

Brochures, training programs, CD-ROMs, videos, and manuals for which staff members are hired to develop are other examples of Institutional Works, or work for hire. The System or the System component owns all right, title and interest in such Institutional Works.

5.1.3 Works Developed with Significant Use of Resources

Copyrightable Works that are not works for hire (see 5.1.2 above) but are works that are developed with integral and significant use of funds, space, hardware, or facilities administered by a System component, where use was essential and substantial rather than incidental, shall be owned by the System component. Furthermore, Copyrightable Works that are not works for hire (see 5.1.2 above) but are works that are developed in the course of or resulting from research supported by a grant or contract with the federal government (or an agency thereof) or a nonprofit or for-profit nongovernmental entity, or by a private gift or grant to the System, shall be determined in accordance with the terms of the sponsored grant or contract, or in the absence of such terms and to the extent consistent with copyright law, shall be owned by the System component administering the grant or contract. The System recognizes and affirms the traditional academic freedom of its faculty and staff to publish pedagogical, scholarly or artistic works without restriction. In keeping with this philosophy, the System will not construe the provision of offices or library facilities as constituting significant use of System resources, except for those instances where the resources were furnished specifically to support the development of such Copyrightable Works.

5.1.4 Present and prospective employees of the System shall, upon request by the Chancellor or the CEO of the respective component, or by the TLO to perfect intellectual property rights, execute an assignment agreement in a form prescribed by and available from the TLO to set forth effectively the ownership and rights to Copyrightable Works. Executed invention assignment agreements shall be maintained in the respective Department Head's office, by the Human Resource Office of the respective System component, in the TLO, or in a similar office as determined by the component CEO.

5.2 Disclosure, Assignment and Protection

5.2.1 Authors of Copyrightable Works that are not owned by the System, or any of its components, own the copyrights in their works and are free to publish them, register the copyright, and to receive any revenues which may result therefrom.

5.2.2 Authors of Copyrightable Works that are not works for hire (see 5.1.2 above) but are works that are owned by the System under paragraph 5.1.3 shall promptly disclose to their CEO any work of authorship covered by this regulation (including those made under sponsored research or cooperative arrangements). Disclosure shall be made on a disclosure form prescribed by and available from the TLO, and a copy shall be filed with that office. Such persons shall cooperate with the System component and the TLO to the best of their ability in protecting intellectual property rights in the work of authorship. Furthermore, upon request by the TLO to perfect intellectual property rights, such persons shall warrant that, to the best of his/her knowledge, the work does not infringe upon any existing copyright or other legal rights, that work not identified as quotations is the expression or creation of the author; and that necessary permission for quotation and the use of third party works has been obtained.

5.3 Negotiation and Execution of Agreements for Copyrightable Works

Agreements permitting a party to use, develop, or otherwise commercialize Copyrightable Works owned by the System or any of its components are encouraged. The component from which the work resulted has primary responsibility for negotiating with third parties having an interest in using, developing or otherwise commercializing Copyrightable Works. The CEO of the component may request assistance from the TLO regarding the protection and licensing of the Copyrightable Work.

5.4 Software as Patentable Subject Matter

In recent years, the US Patent and Trademark Office has determined that software which meets certain technical and legal criteria may be patentable. In the case that software originally disclosed as a Copyrightable Work subsequently is determined to be patentable subject matter, and the System or System component chooses to seek patent protection for the software, then such software shall be managed under this regulation as an Invention.

6. DISTRIBUTION OF INCOME FROM COMMERCIALIZATION AND LICENSING

6.1 Distribution of Income from Inventions

All monetary proceeds from commercialization of System-owned inventions, including royalties, equity interests, and dividends, are the property of the System. Income received by the System from commercialization of an Invention will be distributed as follows:

Step 1

Deduct the costs of obtaining legal protection for the invention to arrive at "adjusted income"(when such costs are not provided from other sources). When there is no adjusted income after deduction of costs, see Guaranteed Minimum to Inventor(s) below.

Step 2

Deduct fifteen percent (15%) from adjusted income. This deduction is directed toward covering the expenses (excluding patent expenses) for administering the TLO.

Step 3

Distribute the remaining adjusted income as follows: fifty percent (50%) to the inventor and fifty percent (50%) to the System component administering the research from which the invention was developed.

Step 4

If there is no adjusted income after deduction of costs in Step 1, or when the inventor's (inventors') portion of the adjusted income is less than 20% of the gross income, the inventor(s) will receive an amount equal to 20% of the gross. Under these circumstances, the inventor's (inventors') share will be subtracted from gross income and any adjusted income will be distributed fifteen percent (15%) to the TLO and the remainder to the System component from which the discovery or invention originated. When the inventor's (inventors') portion of adjusted income is equal to or greater than 20% of gross income, the distribution will be as described in steps 2 and 3 above.

In the event of multiple inventors, the inventors will agree among themselves as to the distribution of the income accruing to the inventors; distribution of the inventors' share shall be made only upon receipt of a signed agreement between the inventors. In the event that an inventor is a joint employee of two or more components, or in the event that inventors represent two or more components, the components will agree as to the distribution of the income accruing to the components, considering such factors as annualized FTE by component and relative contributions of the inventors to the work.

6.2 Distribution of Income from Copyrightable Works

All monetary proceeds from commercialization of Copyrightable Works, including royalties, equity interests, and dividends, are the property of the System component from which the work emerged. Income received from commercialization of Copyrightable Works will be distributed as follows:

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6.2.1 Institutional Works (see 5.1.2). The System component shall be entitled to all income from distribution or commercialization of Institutional Works.

6.2.2 Works Developed with Significant Use of Resources (see 5.1.3), and commercialized by the TLO on behalf of the System component. In cases where the System component has requested that the TLO conduct the commercialization or distribution of the Copyrightable Work on behalf of the System component, the distribution of income shall be made in accordance with steps outlined in paragraph 6.1 above.

6.2.3 Works Developed with Significant Use of Resources (see 5.1.3), and distributed by the System Component. In cases where the System component conducts the commercialization or distribution of the Copyrightable Work, the distribution of income shall be as follows: fifty percent (50%) to the System component and fifty percent (50%) to the author.

In the event of multiple authors, the authors will agree among themselves as to the distribution of the income accruing to the authors; distribution of the authors' share shall be made only upon receipt of a signed agreement between the authors. In the event that an author is a joint employee of two or more components, or in the event that authors represent two or more components, the components will agree as to the distribution of the income accruing to the components, considering such factors as annualized FTE by component and relative contributions of the authors to the work.

6.3 Equity and Other Nonmonetary Returns

The System or its components may negotiate, but shall not be obligated to negotiate, for equity interests in lieu of or in addition to royalty and/or monetary consideration as a part of an agreement relating to Inventions or Copyrightable Works.

6.3.1 Inventors and authors may receive up to fifty percent (50%) of any equity or other nonmonetary consideration received by the System or its components under this section. However, the System may choose to receive the consideration under terms that restrict its ability to sell, distribute or otherwise deal with the equity interests. In such cases, any restrictions on the System's interest shall be equally applicable to the interest of the inventor or author, unless waived or varied in writing and signed by the Chancellor, the CEO and the inventor (for inventions), or by the CEO and the authors (for Copyrightable Works).

6.3.2 Neither the System nor any component thereof acts as a fiduciary for any person concerning equity or other consideration received under the terms of this regulation.

6.3.3 Inventors and authors should refer to System Regulation 31.05.01 regarding System regulation and state law addressing equity ownership.

7. TRADEMARKS

In most situations, a Trademark identifies an item of intellectual property, such as a computer program or a plant variety. In other situations, a Trademark identifies an educational, service, public relations, research or training program of the System or its components. The System, or the applicable System component, owns all right, title and interest in Trademarks related to an item of Intellectual Property owned by the System or its components, or to a program of education, service, public relations, research or training program of the System or its components. All income from the licensing of a Trademark shall belong to the System, or the System Component, as applicable.

8. TANGIBLE RESEARCH PROPERTY

8.1 The System owns all right, title and interest in Tangible Research Property related to an individual's employment responsibilities and/or developed with support from System-administered funds, facilities, equipment or personnel.

8.2 For purposes of management of the asset, Tangible Research Property shall be managed as an Invention under paragraphs 4.2, 4.3 and 4.4, with distribution of income from the distribution or commercialization of such Tangible Research Property made in accordance with paragraph 6.1.

9. PROVISIONS FOR RELEASE OF RIGHTS TO INVENTORS AND AUTHORS

The System may release to the inventor(s) its rights to an Invention, and the System or any of its components may release its rights to a Copyrightable Work, with the following provisions.

9.1 The System, or the applicable component, shall retain for the System and all components thereof a perpetual, royalty-free license to use the Invention or Copyrightable Work, and any corresponding patents or copyrights, for research, education and service purposes.

9.2 The System, or the applicable component, shall receive a share of all proceeds generated from commercialization of the Invention or Copyrightable Work after the inventor or author has recovered documented out-of-pocket costs for obtaining legal protection for the Invention or Copyrightable Work, the amount of such share to be negotiated at the time of the release.

9.3 In the case of a release of rights to the inventor or author, the inventor or author shall not be entitled to a share of proceeds received by the System under paragraph 9.2.

10. OFFERS OF INTELLECTUAL PROPERTY

10.1 If an individual chooses to offer to the System certain intellectual property in which the System has no claim, the System may accept ownership of the intellectual property provided that:

(1) the individual makes the offer through one of the System components as if the intellectual property had been created within the System;

(2) the individual agrees to all provisions (including distribution of income provisions) of System Regulation 17.02.01, Management of Intellectual Property;

(3) the individual warrants that he or she owns all right, title and interest to the intellectual property, and that to the best of his or her knowledge, the intellectual property does not infringe upon any existing copyright or other legal rights.

10.2 The CEOs of the System components shall advise the TLO of all such offers and may request a recommendation from the TLO regarding acceptance or rejection of the offers, and for patenting and commercialization, by the System.

10.3 Should the System agree to accept the offer of intellectual property, the individual will execute an assignment agreement transferring all right, title and interest in the intellectual property to the System, and acknowledging that the individual agrees to all provisions of this regulation, such agreement available from the TLO. In cases in which the individual has already expended funds toward obtaining patent or other legal protection forthe invention, the individual and the System may negotiate terms to allow recovery of legal and/or patent expenses from license fees and/or royalty income. Such an agreement would modify normal royalty sharing provisions until such expenses are recovered by the party entitled to recovery of the expenses.

10.4 The System may accept charitable donations of intellectual property from governmental or private organizations. Upon the transfer of title in the intellectual property to the System, the intellectual property will be managed in accordance with this regulation.

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CONTACT FOR INTERPRETATION: The System Technology Licensing Office

HISTORY: Last version: September 24, 1997

SYSTEM COMPONENT RULES PERTAINING TO THIS SUBJECT:

Academic Institutions:

- BCD
- PVAMU
- TSU
- TAMIU
- TAMU
- TAMU-C
- TAMUCC
- TAMU-K
- TAMU-T
- WTAMU

Agencies:

- TAES:
- TAEX
- TADCS
- TFS
- TVMDL
- TEES
- TEEX
- TTI

SAGO

III. COPYRIGHT

A. FAIR USE

1. Fair Use -- General
2. Fair Use -- Higher Education
3. Fair Use -- Classroom Use
4. Fair Use -- Unpublished Works

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Part I

FAIR USE AND HOW IT GOT THAT WAY: THE 1998 DONALD C. BRACE MEMORIAL LECTURE DELIVERED AT FORDHAM UNIVERSITY SCHOOL OF LAW ON NOVEMBER 12, 1998*

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The subject of my talk is fair use, which occupies a place in the law of copyright that calls to mind Justice Holmes's remark that the Equal Protection Clause is "the usual last resort of constitutional arguments."[1] Fair use is the usual last defense to a charge of copyright infringement. Yet, for all its exposure, our understanding of fair use has not noticeably progressed much beyond Justice Story's observation in *Folsom v. Marsh*,[2] the case usually cited as the source of the doctrine in this country, that the issue before him "is one of those intricate and embarrassing questions... in which it is not ... easy to arrive at any satisfactory conclusion, or to lay down any general principles applicable to all cases."[3] Melville Nimmer illustrated the discussion of fair use in his casebook with a drawing of the weary traveler who, having at last scaled the mountain to reach the venerable sage, asks with his last breath, "What is 'fair use'?"[4] The sage's reply is not recorded.

It is not for want of trying. We have the benefit of a lengthy, carefully documented treatise devoted exclusively to fair use,[5] as well as an array of wide-ranging, scholarly articles exploring its

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** Dane Professor of Law, Harvard Law School. Wendy Gordon, Terry Fisher, Robert Gorman, and Benjamin Kaplan gave helpful comments on a draft of this lecture. Benjamin Gruenstein gave valuable research assistance.

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[1] *Buck v. Bell*, 274 U.S. 200, 208 (1927).

[2] 9 F. Cas. 342 (C.C.D. Mass 1841) (No. 4901).

[3] *Id.* at 344.

[4] Melville B. Nimmer et al., *Cases and Materials on Copyright* 473 (4th ed. 1991).

[5] *See* William F. Patry, *The Fair Use Privilege in Copyright Law* (2d ed. 1995).

theoretical and practical underpinnings.[6] When it enacted the comprehensive statutory revision of 1976, Congress gave the matter of fair use close attention and, after much study, for the first time made the doctrine of fair use an express statutory matter; in doing so, Congress indicated that it was confirming the common law as it had developed in the preceding hundred-plus years.[7] And since enactment of the statute, we have had three major opinions of the Supreme Court in which the statutory provision has been construed and applied.[8] The sequence of the three opinions is oddly reminiscent of W.W. Jacobs' story "The Monkey's Paw," in which a person who possesses the paw, having three wishes the first two of which turn out disastrously, uses his third wish to restore as well as he can the situation before the first.[9]

The explanation for all this flailing around is that rather than, as it appears, raising a subsidiary, if important, question about infringement -- When, for what reasons, ought an author's entitlement to the fruits of his authorship give way to another use? -- fair use expresses lingering doubt and uncertainty about the wisdom of granting a copyright in the first place.[10] Closely examined, what is presented as grounds for a departure from the norm are in fact grounds for questioning the norm itself. Fair use, that is to say, takes us to the center of copyright; and it will not hold. My objective in these remarks is not to pronounce an epitaph for copyright (and thereby bring this distinguished series of lectures to an end). Rather, by inquiring about fair use and how it got that way, I hope to afford a more general insight into the foundations of copyright.

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[6] Among the more important contributions are Jay Dratler, Jr., "Distilling the Witches' Brew of Fair Use in Copyright Law," 43 *U. Miami L. Rev.* 233 (1988); William W. Fisher III, "Reconstructing the Fair Use Doctrine," 101 *Harv. L. Rev.* 1659 (1988; Wendy J. Gordon, "Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and Its Predecessors," 82 *Colum. L. Rev.* 1600 (1982); and Pierre N.Leval, "Toward a Fair Use Standard," 103 *Harv. L. Rev* 1105 (1990). The articles by Professors Fisher and Gordon are discussed below on pp. 642-648. I wrote a comment to Judge Leval's article. Lloyd L. Weinreb, "Fair's Fair: A Comment on the Fair Use Doctrine," 103 *Harv. L. Rev.* 1137 (1990).

[7] *See* 17 U.S.C. § 107 (1994); H.R.Rep. No. 94-1476, at 66 (1976), reprinted in 1976 U.S.C.C.A.N.. 5659, 5680. *See also* the study of fair use prepared by Alan Latman preparatory to revision of the Copyright Law, Alan Latman, *Fair Use of Copyrighted Works* (Study No. 14), in "tudies Prepared for the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary" 6th Cong. Pursuant to S.RES. 240, at 1 (1960), and the comments following.

[8] *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994); *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539 (1985); *SONY Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

[9] See W.W. Jacobs, *Selected Short Stories* 31 (1975).

[10] For a skeptical discussion of the justifications of copyright, in which I conclude that they "turn out to be based on theoretical assumptions having little more concrete underpinning than a conventional understanding that books and certain other kinds of authorial works are copyrightable," *see* Lloyd L. Weinreb, "Copyright for Functional Expression," 111 Harv. L. Rev. 1149, 1153, 1211-45 (1998).

The question sometimes is asked whether a finding of fair use is a finding that the accused use is simply not infringing, because it is not within the scope of the rights protected by copyright, or is rather a finding that, although the use is within the scope of those rights, it is also within a more particular exception to them -- not noninfringing as such but would be-infringing-but-for the exception.[11] That sort of analytic nicety may exercise academicians more than it does practitioners and judges. But it is not without significance. For before fair use was cast as a distinct doctrine, a court's consideration whether a use was "fair" was simply part of the effort to determine the proper bounds of copyright. The first American copyright statute, like the Statute of Anne itself,[12] conferred on authors of certain kinds of works an exclusive right to copy, without delimiting it.[13] Yet, unmistakably, the right had limits. All else aside, it could scarcely have been supposed that the stated constitutional purpose "to promote the Progress of Science"[14]] could be achieved if readers of a copyrighted work were precluded from making a record of what they had read; the early copyrighted works were more often than not collections of fact.[15] The cases that gave rise to the doctrine of fair use were efforts to spell out the limits of copyright or, more simply, what a copyright is. Doing so, the courts had no guidance from the legislature or, indeed, any guidance at all except the similar efforts by English judges and their own common sense of the matter.

The early English cases that are cited in the history of fair use are all of this kind. In one of the earliest cases, for example, the plaintiff, who had the copyright in Hale's Pleas of the Crown, sought an injunction to stay the printing of a book, Modern Crown Law, which he alleged was copied verbatim from Hale's treatise, with insignificant omissions [16] The Lord Chancellor observed that the Statute of Anne undoubtedly prohibited the printing of a book that is only "colourably shortened," but did not "restrain persons from making a real and fair abridgment, for abridgments may with great propriety be called a new book, because not only the paper and print, but the invention, learning, and judgment of the author is shewn in them, and in many cases are extremely useful."[17] To bring all abridgments within the statute, he said, "would be of mischievous consequence," for it would prevent the printing of abridgments of "the books of the learned."[18] The question why an abridgment should not be an infringement became vexatious later;[19]] but early on the answer was plain. An abridgment was not a "copy" as that term was understood and was, therefore, not within the copyright; on the contrary, it was a new work, which served the advancement of learning.

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[11] *See, e.g.*, Saul Cohen, Fair Use in the Law of Copyright, 6 ASCAP COPYRIGHT L. SYMP. 43, 47 (1955). The statute says that "fair use ... is not an infringement." 17 U.S.C. § 107 (1994). That formula is used repeatedly in the sections that manifestly provide for exceptions to the general scope of copyright, *see, e.g., id.* §§ 108, 110-112, which perhaps suggests that fair use also should be so regarded. The structure of chapter one of the Act suggests that as well, § 107 being first among the sections providing exceptions. The context of § 107, however, is quite different from that of the (other) exceptions. One might argue that the generality of the fair use provision bespeaks not an exception but a line of division.

[12] Act for the Encouragement of Learning, 8 Anne ch.19 (1710).

[13] *See* Act of May 31, 1790, ch. 15, 1 Stat. 124.

[14] U.S. Const. art. I, § 8.

[15] *See* Jane C. Ginsburg, Creation and Commercial Value: Copyright Protection of Works of Information, 90 COLUM. L. REV. 1865, 1873 (1990).

[16] *See Gyles v. Wilcox*, 2 Atk. 141, 26 Eng. Rep. 489 (1740).

In another case, somewhat later, the plaintiff alleged that portions of the text and some prints from a book about Greek antiquities were copied by the defendant in a book about Doric architecture.[20] Finding that there was much that was copied but also much that was not, Lord Chancellor Eldon temporized. Referring throughout the opinion to what is "fair," he said that the question -- the "fair question" indeed -- is whether the defendant's use was "the fair exercise of a mental operation, deserving the character of an original work."[21] Interestingly, for all the "fair" this and "fair" that, the phrase "fair use" is not used. Similarly, without mentioning fair use, a court allowed quotation from a report for purposes of comment and criticism, in view of the "trifling" value of the extract and the "extreme minuteness" of the injury to the plaintiff; otherwise, the court observed, newspapers could enjoin the quotation of their articles "for the purpose of questioning or criticizing the opinions expressed therein," a result that the court appeared to believe was self-evidently unsound.[22]

Early American cases are the same. In *Folsom v. Marsh*, Justice Story did not suggest that there was any rule of fair use distinct from the question whether a use is infringing. It might require "subtle and refined, and, sometimes, almost evanescent" distinctions to separate a permissible abridgment, quotation for the purpose of criticism, and the like, from "piracy";[23] but there is no suggestion of "would be but for." Story had, in fact, applied just the same analysis in another case two years before *Folsom v. Marsh*, in which the straightforward dichotomy between infringing and noninfringing uses is even clearer.[24] In a case a few years after *Folsom v. Marsh*, in which the allegedly infringed work was Story's own Commentaries on Equity Jurisprudence, Justice McLean discussed the problem of abridgments and observed that although an abridgment may injure the sales of the original work, it is lawful because it "requires the exercise of the mind, and ... is not copying."[25] "A fair abridgment of any book," he said, "is considered a new work, as to write it requires labor and exercise of judgment."[26] Comparing an abridgment to a compilation, McLean emphasized the original contribution of the abridger, in terms that evoke the distinction, as we should now think of it, between idea and expression, the former being outside the protection of copyright.

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[17] *Id.* at 143, 26 Eng. Rep, at 490.

[18] *Id.*

[19] *See Story v. Holcombe*, 23 F. Cas 171 (C.C.D. Ohio 1847) (No. 13,497); *Lawrence v. Dana*, 15 F. Cas. 26, 59 (C.C.D. Mass. 1869) (No. 8136).

[20] *See Wilkins v. Aikin*, 17 Ves. Jun. 422, 34 *Eng. Rep.* 163 (1810).

[21] *Id.* at 425-26, 34 *Eng. Rep.* at 164-65.

[22] *Bell v. Whitehead*, 8 L. J. (N.S.) Ch. 141,142 (1839).

[23] *Folsom v. Marsh*, 9 F. Cas. 342, 344 (C.C.D.Mass 1841) (No. 4901).

[24] *See Gray v. Russell*, 10 F. Cas. 1035 (C.C.D.Mass. 1839) (No. 5728). The principal question discussed in the opinion is the availability of copyright for a compilation. Story also considers, however, the distinction between infringement and what we should now call fair use and refers to

American treatise writers in the nineteenth century take the same view. In George Curtis's treatise, published in 1847, for example, the Index contains no entry for fair use.[27] Rather, the subject is discussed in the chapter on Infringement of Copyright, in the first paragraph of which, Curtis observes:

> [W]e must bear in mind that while the primary object of the law of copyright is protection to the product of all literary labor, the interests of knowledge demand a reasonable freedom in the use of all antecedent literature. To administer the law in such a manner as not to curtail the fair use of existing materials, in any department of letters, is one of the great tasks of jurisprudence.[28]

Curtis goes on to discuss all the issues now cabined under the doctrine of fair use -- the amount taken, the effect on the author's market, and so forth -- as well as special categories of use, like criticism, abridgments, and translations, in the course of elaborating what is an infringement.[29]

Eaton Drone's influential treatise was published in 1879.[30] His position was very favorable to author's rights and rejected the special treatment that had been given to abridgments and translations. He said of the decision in *Stowe v. Thomas*,[31] which held that the copyright of Uncle Tom's Cabin was not infringed by a German translation, that there was no reported copyright

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the same factors to which he refers in *Folsom v. Marsh*, which became the source of the four factors specified in § 107 of the Copyright Act. *See id.* at 1038-39.

[25] *Story v. Holcombe*, 23 F. Cas. 171, 174 (C.C.C.D. Ohio 1847) (No. 13,497).

[26] *Id.* at 173.

[27] *See* George Ticknor Curtis, *A Treatise on the Law of Copyright* 437- 50 (1847).

[28] *Id.* at 236-37.

[29] *See id.* at 241-305.

[30] Eaton S. Drone, *A Treatise on the Law of Property In Intellectual Productions in Great Britain and the United States* (1879).

[31] 23 F. Cas. 201 (C.C.E.D. Pa. 1853) (No. 13,514).

decision in England or America "which is more clearly wrong, unjust, and absurd."[32] Like Curtis, Drone discussed fair uses of copyrighted works in the chapter on Piracy. Like Curtis, too, he explained the law's allowance of "a 'fair use'" as "essential to the growth of knowledge; as it would obviously be a hindrance to learning if every work were a sealed book to all subsequent authors."[33]

Reading these early cases and the treatises, one is impressed by the fluidity of the analysis. As in so many other contexts, the reference to "fairness" as a -- or the -- criterion is intended not to confine the ground of decision but to open it to an array of more or less disparate factors, from which a court might choose those that seemed especially relevant to the facts at hand. In the eighteenth century and for much of the nineteenth century, the question that the courts ask is simply "What, after all, is copyright?" And their answer is derived initially from, and for a very long while presented as, not doctrine -- certainly not a doctrine of fair use -- but rather a very general sense of what ought, as a matter of right and sound public policy, to be protected. The extent of the original author's effort was relevant, because, as Locke had so persuasively (if, in the end, incoherently) argued, a person is entitled to the fruits of his labor.[34] So also, by the same token, was the second comer's intent relevant; if his intent was to capture the fruits of another author's labor for himself, that was as good as theft -- piracy, as it was labeled. Both those factors might be subsumed within a consideration of the effect of the copying -- if that is what it was -- on the market for the original work. But that approach, unhinged from the matter of the copier's intention, threatened to be circular; for all might depend on how the market was defined. A German translation of Uncle Tom's Cabin would not likely affect the market for the book in English; but if the relevant market were for the book in any language, an effect is easy to suppose. Whether the effect was conceived to be large or small, another way of noticing it was that one of the purposes of copyright, to promote the dissemination of authorial works, was served. For a reader's or other user's choice of the allegedly infringing work over the original was presumably based on some feature, very likely a lower price, that made it more attractive and, hence, encouraged the use.

The courts' open, undoctrinaire approach was greatly encouraged by the fact that the plaintiff typically asked for an injunction, an equitable remedy that directed the court's attention to the particularities of the case rather than formulation of a general rule.[35] The force of that is strikingly illustrated in an early English case, Burnett v. Chetwood,[36] decided in 1720. The original work, written in Latin, was called Archaeologia Philosophica. The defendants were preparing to publish a translation into English of that book (as well as another unpublished Latin manuscript of Burnett, by then deceased). The Lord Chancellor's view was that although a translation might not be within the author's copyright, he ought nevertheless to grant an injunction, because the book "to his knowledge (having read it in his study), contained strange notions, intended by the author to be concealed from the vulgar in the Latin language, in which language it could not do much hurt, the learned being better able to judge of it."[37]

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[32] Drone, *supra* note 30, at 455 n.4.

[33] *Id.* at 386.

[34] *See* John Locke, *Two Treatises of Government* 303-20 (Peter Laslett ed., Cambridge Univ. Press 1970) (1698). For a discussion of his theory in the context of copyright, *see* Weinreb, cited above in note 10, at 1222-28.

[35] It is true that fair use, as a response to the question whether a work infringed the copyright, was an issue of law, *see* Leval, *supra* note 6, at 1127; PATRY, *supra* note 5, at 3-5. Nevertheless, passing by the vexed question of the respective jurisdictions of law and equity, the injunctive remedy gave the proceedings an equitable cast, as the reported opinions strongly indicate.

[36] 2 Mer. 441, 35 Eng. Rep. 1008 (1720).

In the American courts, over time, various aspects of this fluid, not to say, effervescent mix were precipitated out and lodged elsewhere within the law of copyright. Some, for example, was cabined in the distinction between idea and expression, the former being associated with the kind of use that was outside the scope of the copyright.[38] Similarly, the gradual transition in the latter part of the nineteenth century from asking, as the test of infringement, how much the copier had added to asking how much he had taken[39] was very much a reflection of the narrowing perception of what uses are "fair" -- that is, outside the copyright -- abridgments and translations being prime examples.

The general significance of these developments is plain. Copyright was transformed from an exclusive right to make copies, quite narrowly construed, to an exclusive right to any significant reproductive use of the work, not at all restricted to that in which it was embodied by the owner of the copyright. That transformation was signaled notably in the Copyright Act of 1976, which replaced the extensive provisions describing the copyright owner's rights in the 1909 Act[40] with five brief, unqualified provisions that cover just about any use of a copyrighted work other than private edification or enjoyment of it in the form in which it was published.[41] What had earlier been conceived as part of the burden to show that a use was within the copyright thus became a burden to show that it was not, and fair use, along with other more specific provisions, became the exception rather than part of the rule.

Viewed from this historical perspective, the vagary of § 107, which looks on its face like a model of bad statutory drafting, is not, after all, so surprising. The apparent multiple indecisions -- whether to rely on a general formula or to write a specification; whether, if the latter, to depend on examples or to provide criteria; whether the criteria that are provided are necessary, or sufficient, or just whatever happened to come to mind; whether, in the end, the statute has any independent prescriptive effect or merely confirms the past (and future) efforts of the courts -- are exactly that.

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[37] *Id.* at 441, 35 Eng. Rep. at 1009.

[38] *See, e.g., Simms v. Stanton*, 75 F. 6 (C.C.N.D. Cal. 1896).

[39] *See* Benjamin Kaplan, *An Unhurried View of Copyright* 31-32 (1967); Weinreb, *supra* note 10, at 1243.

[40] Copyright Act of 1909, ch. 320, §1, 35 Stat. 1075 (codified as amended at 17 U.S.C. §106 (1994)).

[41] *See* 17 U.S.C. § 106. (1994). A sixth provision was added in 1995. See 17 U.S.C. § 106(6) (Supp.1998).

Copyright, having evolved from quite limited beginnings on the basis of little more than convention and largely unexamined, if plausible, assumptions about private right and the public good, fair use is the place where, in the current idiom, the rubber hits the road. The sad truth for those who are doctrinarians is that there is nothing to unite the various perspectives of fair use except a suspicion that the assumptions on which copyright is based do not apply. Since those assumptions are themselves for the most part neither well grounded nor coherently integrated, no more so are the factors and circumstances that may overcome them.

Perhaps the largest puzzle of § 107 is whether it is to be regarded as a compendium of categorical exceptions for types of use for which copyright is not appropriate but for which Congress neglected to provide a distinct exception -- education, scholarship, criticism, news reporting, and so forth -- or is rather an exception for exceptional cases that, for some reason special to the case -- perhaps the bad faith or unclean hands of the copyright owner -- are outside the usual rule. Since §107 is followed by fourteen other sections providing categorical exceptions in considerable detail, it is tempting to conclude that the exceptions in §107 are not categorical and are reserved for special circumstances. But the references in §107, even if only exemplary, are too clearly to the contrary. So one is left with categorical exceptions and the list of four factors to consider. Are the uses mentioned in the statute, then, presumptively fair use, exceptions to the general copyright rule, unless so- called "factor analysis" indicates special circumstances warranting an exception to the exception, bringing them back within the rule? Or do those uses in the statute have to pass through the mesh of factor analysis on the same terms as other uses, with perhaps an extra cheer if they succeed?[42] Who knows? One can go on in that fashion for a long while, and it has been done more than once. The only generally valid conclusion is that one must not take the text of § 107 too seriously -- a conclusion confirmed by the Supreme Court, which routinely applies to it Humpty-Dumpty's theory of language.[43]

In both *SONY Corp. of America v. Universal City Studios, Inc.*[44] and *Harper & Row, Publishers, Inc. v. Nation Enterprises*,[45] the Court's analysis is cast almost entirely in terms of the four statutory factors; but the application, not to say the interpretation, of the factors is so tailored to the circumstances of the case, that one is impelled to look beneath the surface of the opinions for the true ground of decision.[46] In *Campbell v. AcuffRose Music, Inc.*,[47] the Court discarded both of its prior recent efforts and came to the sensible but not very informative conclusion that "it all depends." The Court emphasized the fact-specific nature of the inquiry into fair use and sent thecase back for further proceedings without much guidance to the court below, except that it should consider all the facts. The remand came to naught, when the case was settled.

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[42] In *Harper & Row, Publishers, Inc. v. Nation Enters*., 471 U.S. 539 (1985), Justice O'Connor rejected the argument that the uses mentioned in §107 are anything but examples of the kinds of use that might qualify. She rejected explicitly the suggestion that they are presumptively fair use. *See id*. at 561. Her citations, however, refer only to a proposal of educational institutions that there be a specific provision declaring that educational uses are presumptively fair use. The proposal was indeed rejected. But that can hardly be deemed a rejection of the general implication of the specific mention of certain kinds of uses in the statute.

[43] "When I use a word," Humpty Dumpty said in rather a scornful tone, "it means just what I choose it to mean -- neither more nor less."
"The question is," said Alice, "whether you can make words mean different things."
"The question is," said Humpty Dumpty, "which is to be master -- that's all."
Lewis Carroll, *Through the Looking Glass* 75 (Folio Soc'y ed. 1962) (1872).

[44] 464 U.S. 417 (1984).

[45] 471 U.S. 539 (1985).

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Efforts to impose order on this chaos are not wanting. I shall mention only two, which, thoughtful and carefully developed, have commanded attention. In a widely discussed and cited article published in 1982, Professor Wendy Gordon argued that the fair use provision should be called into play only in a situation of "market failure," and even then, only if the uncompensated use is "socially desirable" and does not substantially diminish incentives to create the work in the first place.[48] Professor Gordon elaborated these conditions in considerable detail. The requirement of market failure is justified, she said, because the market is our usual mechanism for bringing about socially productive exchanges. The other two conditions are simply a requirement that the exchange confer a net public good, with special emphasis on copyright's particular public good of encouraging the creation of intellectual property.

Professor Gordon urged that her proposed test is valid both normatively and descriptively: normatively, because it reflects the policy of the copyright scheme as a whole, which relies generally on the market to achieve its goals, and descriptively, because the test articulates and systematizes what the courts in the main try to do, albeit without the clarity of her analysis. Although I believe that her discussion is a valuable contribution to our understanding of the issues, important questions remain. First, if market failure is regarded simply as a predictable failure of authors and would-be copiers to come to terms, it is plain that Congress did not regard market failure as a sine qua non of fair use. Most of the uses mentioned in the statute as potential examples of fair use are ones in which a market likely would develop in the absence of fair use and in fact commonly does develop if fair use is denied. Market failure, after all, is not self-defining, as the Godfather's invocation of "an offer you can't refuse" reminds us. At some price, even the proudest author may strike a deal and soothe his authorial sensibilities on the way to the bank. On the other hand, up against the wall of copyright infringement, would-be copiers who had claimed that the public interest required that they be allowed to copy without charge, are likely to find other ways to serve that interest, incidentally serving their own interest at the same time.[49] Fair use is often no more than the path of least resistance -- or least expense; there may be no way to tell without calling the bluff of the would-be free rider.

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[46] *See* Weinreb, supra note 6, at 1153-58. For a detailed criticism of the Court's analysis in *SONY* and *Harper & Row*, *see* Fisher, cited above in note 6, at 1664-95.

[47] 510 U.S. 569 (1994).

[48] Gordon, *supra* note 6, at 1614.

[49] *See, e.g., Princeton University Press v. Michigan Document Servs., Inc.*, 99 F.3d 1381 (6th Cir.1996); *American Geophysical Union v. Texaco, Inc.*, 60 F.3d 913 (2d Cir.1995); *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F.Supp. 1522 (S.D.N.Y. 1991). In *Basic Books*, having pressed the fair use argument as far as it could and lost, Kinko's published an advertisement that said, "At

Although market friction or other factors may increase transaction costs, if that is all that is involved, at some level the interested parties will be brought together. Of course, at that price, there may be few users and the creation or dissemination of derivative works may suffer. But that only reminds us of the uncertainties of copyright itself. Do we, after all, by conferring a copyright and adding to the author's rewards, significantly encourage the production of authorial works or do we only add an unnecessary incentive to create such works that limits access to them? The uses that are mentioned as examples of fair use in the statute are not so much distinctively subject to market failure as simply uses that, for one reason or another, we do not regard as clearly within the author's right.

Second, there are circumstances in which one may plausibly conclude that market failure as well as the other two conditions that Professor Gordon prescribed are satisfied but in which fair use is plausibly rejected. The letters of a famous person, like J.D. Salinger, are an example. There may be market failure -- there was evidently no offer that Salinger could not refuse -- the social good of allowing use of the letters may be considerable -- Judge Leval found that that was true of biographer Ian Hamilton's proposed use of Salinger's letters[50] -- and, since letter writers rarely write with publication in mind, the incentive factor is not relevant. Yet, it is plausible to deny fair use, as indeed the court of appeals did.[51] Even though Salinger's interest in privacy is not one that copyright law takes explicitly into account, the notion of copyright as property is too strong to dismiss entirely the author's claim, "It's mine," whatever his reason for asserting it. And, third, Professor Gordon's test leaves no room for consideration of what is simply fair or unfair in the ordinary sense. Jerry Falwell's victory over Larry Flynt in *Hustler Magazine, Inc. v. Moral Majority, Inc.*[52] is best explained on that basis. The majority's factor analysis is wholly unconvincing; but one cannot ignore the force of the sentiment that Flynt "got what was coming to him." "Turn-about is fair play" -- or in this case, fair use.[53]

Kinko's it is our goal to work cooperatively with publishers and editors in putting quality educational materials in the hands of students," and affirmed the "strict new policies" to respect copyrights. *Publishers Weekly*, Oct. 11, 1991, inside back cover.

[50] *See Salinger v. Random House, Inc.*, 650 F.Supp. 413, 426 (S.D.N.Y. 1986), *rev'd*, 811 F.2d 90 (2d Cir.1987).

[51] *See Salinger v. Random House, Inc.*, 811 F.2d 90, 99-100 (2d Cir.1987).

[52] 796 F.2d 1148 (9th Cir.1986).

[53] Professor Gordon does not restrict market failure to situations in which transaction costs or similar factors make it difficult for the parties to reach an agreement. *See* Gordon, *supra* note 6, at 1630-35. She includes also cases where the market mechanism is inapt because the parties' balance of competing interests does not well reflect the public interest; for example, if there are significant "external benefits" that neither party can reap for himself, or if the copyright holder has an interest in avoiding copying that is not economically based and outweighs any value that the copying may

Professor Gordon noted the difficulty of the factual inquiries and the complex analysis that a confident application of her test would require,[54] both likely to stretch the capacities of most courts to the breaking point. Although I believe that a conscientious court would use its time wisely to study her recommendations and to analyze the facts along the lines that she suggested, I demur to the proposal that her recommendations be adopted as a "three part test" of fair use.[55] Not only does the test leave little, if any, room for factors that are and, for aught that appears, ought to be considered. The likelihood is too great that it will, perforce, become a cover for hunch or an uneducated guess. Although we may sometimes be stuck with just that, we do better to face up to it than to pretend otherwise.

Professor William Fisher also has provided a far-reaching discussion of fair use, in an article published in 1988.[56] He offers two reconstructive models, one that relies entirely on economic analysis to achieve an efficient allocation of resources, and another, "utopian" analysis that adds to the goal of economic efficiency that of advancing "a substantive conception of a just and attractive intellectual culture," which conception is informed by "a vision of the good life and the sort of society that would facilitate its widespread realization."[57]

Few will object to the goal of economic efficiency or, more comprehensively, to facilitating the good life. Professor Fisher adumbrates how the doctrine of fair use might serve these goals in many pages of rigorous, subtle, and complex analysis. As he recognizes, however, it is scarcely conceivable that a judge will be able or willing to carry out a comparable analysis in an actual case, and for that reason, the practical pay-off is surprisingly limited.[58] The larger lesson to be drawn from his essay is somewhat different.

Professor Fisher observes that the principal objective of both of his models is "to develop a system for distinguishing permissible from impermissible uses of copyrighted materials."[59] [FN59] So described, the models evoke the early cases, in which the question of fair use was an integral part of the question of what rights copyright confers. Professor Fisher's analysis might, therefore, be regarded as an effort to provide the rational underpinning for copyright itself. Since copyright

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have to another. *See id.* It is possible that she would include considerations of fairness, unclean hands, and the like, among the external benefits that might contribute to market failure. But if so, market failure is about as open-ended as fair use itself and loses its value as a test of when a use should be deemed fair.

[54] *See id.* at 1620.

[55] *Id.* at 1657.

[56] *See* Fisher, *supra* note 6.

[57] *Id.* at 1744.

[58] *See id.* at 1718-19, 1739-44 (economic analysis); 1746, 1766-83 (utopian analysis).

[59] *Id.* at 1698.

generally as a social policy is beyond question and the doctrine of fair use is hardly anything except questions, one can well understand why he frames the discussion as he does. Nonetheless, powerful and convincing as they are, his models are, I think, largely academic.

Turning first to the economic model, Professor Fisher sets forth the familiar problem of shaping copyright in a way that provides the optimal balance between encouraging the creation of authorial works and encouraging their dissemination. Having set forth the abstract problem with complexities that I omit here, Professor Fisher illustrates its solution by applying it to a hypothetical concrete case. He starts with publication of a book of stories and uses familiar economic analysis to measure net gains and losses if copyright were superseded by fair use for a variety of possible uses: distribution of photocopies to a college seminar, publication of a paperback edition, quotations in a critical review, and so forth. The case is, as Professor Fisher says, "highly stylized"[60] and the application assisted by "a large number of simplifying assumptions."[61] Even so, and before he introduces a set of seven "complications,"[62] he pauses to catch his breath. Anticipating his readers' response, he asks whether the analysis that he has indicated is not "hopelessly impracticable," whether it would not, indeed, be "ludicrous" to ask a judge to follow his example.[63] Later, having presented the complications, he observes that "few judges would be willing" to attempt such an analysis and of those who are willing, "few would succeed."[64] Even to gather the "extraordinary amount of information" on which such an analysis would be based would, he says, be very difficult and in some respects "probably be impossible."[65] I agree, and again I agree.

The likelihood that a judge who, Professor Fisher speculates, "had time on his hands and extensive access to information, who knew that other courts would adhere to his rulings, and who fully shared the utopian vision"[66] that he describes would reform fair use according to the second, utopian model is not greater. All of the difficulties of economic analysis have still to be faced, now coupled with a host of additional imponderable factual issues as well as an unrestricted inquiry into human nature, justice, and moral philosophy generally. How do we value the comparative worth of effort and achievement? How weigh individual satisfactions against aggregate satisfaction for the group? How assess strong but costly preferences in relation to, weaker, less costly ones? Professor Fisher would have us answer all of those questions and a host of others like them, and all of that just for cases arising under Title 17!

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[60] *Id.* at 1718.

[61] *Id.* at 1705.

[62] *See id.* at 1719-39.

[63] *Id.* at 1718.

[64] *Id.* at 1739.

[65] *Id.*

[66] *Id.* at 1766.

Professor Fisher's analysis is full of insights and provides a remarkably complete exploration of the border between copyright and what, for lack of another term, can be labeled simply fair use. His discussion maps with precision previously untraveled ground, on which we may all tread hereafter with a surer step. Not proposing his models for use in chambers, Professor Fisher nevertheless argues that they offer certain limited practical guidance;[67] and with many of his more particular recommendations I agree. The larger lesson, however, is, as I say, somewhat different.

The reason why it is, in Professor Fisher's words, "hopelessly impractical" to undertake a careful analysis of factors dictating a fair use exemption from copyright is that the foundations of copyright itself are insecure. The four factors specified in the statute are themselves subject to this difficulty, individually and collectively. The Court has said that the effect on the copyright owner's market is the most important of the statutory factors.[68] But as Professor Fisher's careful analysis makes plain, we simply do not know, and have no way of knowing, what market effect, or indeed whether any market effect, would significantly undermine this or that author's incentive to create; for aught that appears, "market effect" is just another way to view the positive good of dissemination. The "nature of the copyrighted work" and "the purpose and character of the use" are two other statutory factors. But what bearing have they, unless we can say with some assurance how, in light of the work's nature, allowing a copyright monopoly would affect the use in question? The remaining factor is "the amount and substantiality" of what has been taken, as a portion of the copyrighted work. No doubt that is relevant, but how? We are back to the quandary of the earliest cases, in which courts made a distinction between merely copying and creating a new work that builds on an older one. The short answer to such conundrums is, "Do the best you can." In these circumstances, however, the best we can do is not nearly good enough. And there is a great danger, illustrated repeatedly in cases relying on the statutory factors, that the best we can do will be mistaken for good enough. Having acknowledged their uncertainty in the prologue, courts wax eloquent about their conclusions in the body of the piece.

Furthermore -- and here I do depart from the proposals of Professors Gordon and Fisher -- fair use depends on a calculus of incommensurables.[69] In this instance, as in so many others, the appeal of social utility (however it is defined) as the test is that it gives the comforting appearance of being measurable. Also in this instance, as in so many others, the appearance is empty.

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[67] *See id.* at 1780-83. Professor Fisher stalks bigger game than fair use. He observes that "by engaging lawyers and judges in the project of applying and improving a vision of the good life and the good society," his proposal "would enlist them in the campaign to reinfuse American legal argument and political discourse with substantive conceptions of the public interest." *Id.* at 1783.

[68] *See Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 566 (1985).

[69] It follows that, although Professor Fisher and I agree that the *SONY* and *Harper & Row* opinions are badly reasoned, *see* Fisher, *supra* note 6, at 1664-86; Weinreb, *supra* note 6, at 1153-58, I quite disagree with his assertion that the "fundamental problem" with the Court's approach is its "failure to identify and advance a coherent set of values," Fisher, *supra* note 6, at 1664. As it happens, Professor Fisher believes that the Court probably reached the wrong result in both cases, *see id.* at 1784-94, while I believe that it reached the correct results, albeit for the wrong reasons. *See* Weinreb, *supra* note 6, at 1155-58.

Notwithstanding the constitutional phrase, neither copyright itself nor fair use especially is strictly a function of social utility. The author's claim of right is not so based, and it cannot easily be ignored. Much has been made, for example, of the relevance of "transformative use," as opposed to a nonproductive use, in the determination whether a use is fair.[70] Although a use that is itself an original creative work may well have more social value than a lazy copy that merely duplicates the original,[71] it is most doubtful that the preference for transformative use has to do entirely with the public good; rather, as a glance at the early cases will confirm, it has to do in part, probably in large part, with an author's entitlement to the fruits of his work but not to the work of others.

Similarly, no calculation of social utility can measure the force of the public perception of the fairness (or unfairness) of an author's claim. In *SONY*, since there never was much doubt that home taping of television would be allowed on some basis and that whoever bore the direct cost, if there were one, would pass it on to consumers, the eventual public good was not much in issue. The *SONY* case was only a vivid example of a recurring puzzle: when the value of new technology is that it increases the value of a form of creativity, who gets what? The television producers were simply asking for their cut. Reference to the public good does not resolve that kind of distributive question. Rather, the overriding fact that dictated the result in *SONY* was that the public and the parties alike all regarded home taping as a proper use of one's television set, beyond any exclusive claim of the author of the program being taped. Who can say whether on balance the public good was served by recognizing that common sense of the matter? Was the result that fewer television shows were produced or that more television shows were watched? Whichever it was, was it a good thing or a bad thing? Who knows? Who cares? Justice Stevens' factor analysis is so unconvincing because it is a trumped-up effort to rationalize the result without mentioning the only thing that mattered in the actual circumstances of the case. Whether one regards such conventional understandings as independently relevant or as affecting the author's claim of right, they cannot be ignored.

Another incommensurable element of fair use is what is typically referred to as "unclean hands" but is, I think, more accurately described simply as fairness. That, I think, was the element gris[e] that drove the factor analysis in *Harper & Row*. As the Court perceived the facts, the editor of *The Nation* was a chiseler, a category only a little removed from crook or, in the nineteenth century idiom, pirate -- not so much because of the use itself but because of the manner in which he

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[70] *See, e.g.*, Leval, *supra* note 6, at 1111; Pierre N. Leval, *Campbell v. Acuff-Rose*: Justice Souter's Rescue of Fair Use, 13 *Cardozo Arts & Ent. L.J.* 19 (1994). The Supreme Court endorsed the relevance of transformative use in *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994).

[71] Even in that clear case, it is not certain where the greater social value lies. A lazy copy must have some attraction to consumers to find a market; if its attraction furthers dissemination of the work, the social value of that may exceed the value of a transformative use, whether because the intrinsic value of the latter is slight or because its dissemination is restricted. Often, the case is not so clear; "transformative" typically is a matter of more or less. *See* Weinreb, *supra* note 6, at 1142-43.

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obtained the manuscript.[72] If that perception is unchallenged, the case is over; theft is not a fair use. In the Hustler case, the centrality of plain fairness is even more apparent.

None of these factors lends itself to nice calculation. In *Time, Inc. v. Bernard Geis Associates*,[73] for example, the would-be copier of the Zapruder film was also a crook; but the court found fair use nonetheless. In *Rosemont Enterprises, Inc. v. Random House, Inc.*,[74] Howard Hughes's claim that the copyright was his property was incontrovertible; but, disregarding the most ordinary significance of private property, the court overruled his claim because it did not like his motive for asserting it and thought he was behaving too much like a bully. Of course, one need not accept the actual result in any of these cases. But they are at least plausible; and they seem to me sound. No reckoning of social utility explains those results, unless it is distorted.

The great objection to so open and uncontained an understanding of fair use is that it affords no predictability. It has been suggested that would- be authors and users alike may lose the incentive to create if they fear that their effort will, or, as the case may be, will not qualify as fair use.[75] [FN75] While that fear seems to me fanciful, I agree that unpredictability is costly, if for no other reason than that it engenders litigation. I greatly doubt, however, that cabining fair use within any formula is preferable. The result, I believe, well-illustrated by *SONY* and *Harper & Row*, will not be to eliminate factors outside the formula but rather to distort them and fit them, in however procrustean a fashion, within it.[76] Analysis of that kind, good only for the day, serves the objective of predictability less well than clear and open consideration of what is really at stake. The Court in Campbell seemed to recognize this; but having done so, it too evidently yielded to the lawyerly desire for rules and emphasized -- too much in my view -- the four statutory factors.[77]

Fair use was in its inception an effort to discern the sensible limits of copyright and so, I believe, it ought to remain. Over time, the perception of intellectual property as really property has

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[72] *See Harper & Row*, 471 U.S. at 542, 543, 562-63. Justice O'Connor said that the conduct of the defendant is relevant, *see id.* at 562, but inexplicably folded it into the first statutory factor, "the purpose and character of the use," 17 U.S.C. §107(1) (1994). It is most doubtful that that is what "the ... character of the use" was intended to include, as the examples in the statute -- "whether such use is of a commercial nature or is for nonprofit educational purposes" -- strongly indicate. *See* H.R.Rep. No. 94- 1476, at 66 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5680. *But see* Melville B. Nimmer & David Nimmer, 4 *Nimmer on Copyright* §13.05[A][1][d] (1998). In any case, lodging the defendant's conduct within one of the statutory factors made it appear less important to the result than I believe it was.

[73] 293 F.Supp. 130 (S.D.N.Y. 1968).

[74] 366 F.2d 303 (2d Cir.1966).

[75] *See* Fisher, *supra* note 6, at 1693-94, 1720, 1743-44; cf. Gordon, *supra* note 6, at 1619.

[76] *See* Leval, *supra* note 70, at 19-22.

[77] *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578-94 (1994).

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grown stronger. Scarcely anyone, I expect, is troubled anymore by the notion of intangible property or any of the other notions that separate property as a concept from any quiddity. To that extent, the entitlement of the author as a matter of right, aside from any social utility, has grown stronger. But there are limits. We should be aware of the limits especially now, in what may be a new incunabulum, when technology seems about to call in question some of our most familiar abstract concepts. The effort to pass those limits by imagining some public good and fortifying one's imagination by elegant, if altogether speculative, calculations can only cloud our vision. Fair use was and ought to remain the receptacle of our doubts that the copyright regime fulfills the purpose that we have for it: not only doubts that are revealed by economic analysis but also those that reflect the unmeasurable, incompletely articulated goals and values that constitute our normative community. When the principles and rules fail, we cannot do better than to decide each case on its own terms, applying to it the full range of our understanding.

The yearning for some greater certainty is bound to be strong. And, one may suppose, it is achievable. In the case of tangible property, at any rate, we have allowed the notion of property to prevail over all sorts of doubts about utility, or fairness, or even unclean hands. "It's mine" is ordinarily a sufficient answer to any of those objections. There is no doctrine of fair use with respect to my automobile, my typewriter, my desk. Is that also only conventional, merely the accretion of centuries? Shall we in the long haul reach the same haven of certainty about intellectual property, authorial works in particular? Or is there something more fundamental? Is there some essential feature that tangible property has and intellectual property lacks. Despite our modern impatience with the essences of things, it seems to me sometimes that that is so and that we should not dismiss the possibility out of hand. But that takes us to a level of abstract speculation that is not fit for a chilly evening in November.

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THE IMPACT OF "FAIR USE" IN THE HIGHER EDUCATION COMMUNITY: A NECESSARY EXCEPTION?*

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I. Introduction

Despite legislative efforts to define it, the concept of Fair Use[1] has been the subject of aggressive debate among publishers, authors, librarians, and users of copyrighted information ("academics") at academic institutions.[2] With the advent of the Internet and the prospect of

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[1] Fair Use has been defined as "'the privilege in others than the owner to use the copyrighted material in a reasonable manner without... consent, notwithstanding the monopoly granted to the owner.'" Harry G. Henn, *Copyright Law: A Practitioner's Guide*, 179 (2d ed. 1988) (quoting *Rosemont Enters. v. Random House, Inc.*, 366 F.2d 303, 306 (2d Cir. 1966)).

[2] See Benjamin Ely Marks, "Note, Copyright Protection, Privacy Rights, and the Fair Use Doctrine: The Post-Salinger Decade Reconsidered," 72 *N.Y.U. L. Rev.* 1376, 1376, 1389 (1997) (noting that decisions in several cases limiting the applicability of fair use generated criticism and activity among these groups).

multimedia projects,[3] the debate has intensified and expanded into the international community.[4]

This Article focuses primarily on the challenges that face academic administrators and college and university attorneys seeking to advise their academic clients of the parameters of the Fair Use Doctrine--encouraging both sharing and dissemination of scholarly information, and compliance with the law, while limiting institutional liability. This Article will include a focus upon the common misconceptions and misinterpretations of the Fair Use Doctrine by members of the academic community, along with the reasons for them.

It is not surprising that users of the copyrighted material of others have different concerns than the owners of copyrighted material.[5] Particularly in academic settings, where access to tools and resources to enhance the teaching and learning process is of paramount importance, easy and immediate access to such materials is considered essential.[6] In order to facilitate the use of the most current material, customize the classroom and minimize the economic consequences of both, faculty and teaching assistants often want to use at least a portion of copyrighted materials--books, magazines, and journal articles--in the classroom without requiring their students to purchase the entire material.[7] Professors may also choose to place the material on the library's printed or electronic reserve and/or make materials available via the Internet.[8] Similarly, academic authors of copyrighted material may wish to have the same ease of access and/or the ability to share their materials with others, as do their colleagues who wish to utilize their copyrighted materials. Because academic authors often assign the copyright to their materials to academic publishers, even an author may have limited access to his or her own materials.[9] This Article will illuminate these issues in the context of copyright protections and the Fair Use Doctrine.

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[3] "Multimedia projects" refer to projects involving the use of multiple sources of copyrighted material including, but not limited to, film, video, magazines, and newspapers. *See* Melville B. Nimmer & David Nimmer, 5 *Nimmer on Copyright* § 21, at 61-62 (1998) (noting that a multimedia work "combines authorship in two or more media."

[4] The World Intellectual Property Organization (WIPO) held its Diplomatic Conference on Certain Copyright and Neighboring Rights Questions in Geneva, Switzerland, in December 1996. *See* Diplomatic Conference on Certain Copyright and Neighboring Rights Questions (visited Nov. 20, 1998) <http:// www.wipo.org/eng/diplconf/4dc_star.htm>. The primary agenda for the Conference was consideration of three proposed treaties. *See id.* The first treaty was an update of the Berne convention, providing international protection for literary and artistic works. *See id.* Second, a global accord designed to protect rights of recording artists and producers. *See* Draft Treaty for the Protection of the Rights of Performers and Producers of Phonograms (visited Nov. 20, 1998) <http:www.wipo.org/eng/diplconf/5dc_star.htm>. The third and last proposed treaty was intended to extend copyright protection to databases on the Internet. *See* Draft Treaty on Intellectual Property in Respect of Databases (visited Nov. 20, 1998) <http://www.wipo.org/eng/diplconf/6dc_star.htm>. The latter treaty was tabled after a number of countries indicated they were not ready to address these issues. *See id.* Of particular concern to libraries and other users of copyrighted material was a portion of this third treaty that sought to make "browsing" without permission infringement. *See id.* The other two treaties were adopted by 15 countries and the Eurpoean communities on December 20, 1996. *See* World Intellectual Property Organization: Copyright Treaty, Dec. 20, 1996, 36 I.L.M. 65; World Intellectual Property Organization: Performances and Phonograms Treaty, Dec. 20, 1996, 36 I.L.M. 76. The United States signed the treaties on April 12, 1997. *See* World Intellectual Property Organization: Copyright Treaty and the World Intellectual Property Organization: Performances and Phonograms Treaty, Dec. 20, 1996, S. Treaty Doc. No. 105-17 (1997), 36 I.L.M. 65, 76; see also Julie S. Sheinblatt, The WIPO Copyright Treaty, 13 *Berkeley Tech. L.J.* 535, 535 (1998) (explaining that the adopted treaties were in response to the "digital age".

[5] *See* Mary R. Barry, "Note, Multiple Photocopying by Educators and the Fair Use Doctrine: The Court's Role in Reducing Transaction Costs," 1994 *U. Ill. L. Rev.* 387, 394 (describing an example of the differing concerns between the users and owners of copyrighted material).

II. The Fair Use Doctrine

As a general rule, use, reproduction, display, dissemination, and development of the derivative works of copyrighted material all require the permission of copyright owners.[10] The Fair Use Doctrine functions as an exception to this general rule.[11] Since the addition of the Fair Use Doctrine to the Copyright Act of 1976,[12] the academic community has often relied upon it to facilitate otherwise protected access to copyrighted materials.[13] Under this doctrine, certain uses of copyrighted material are permitted, without permission from the owner of the copyrighted materials.[14]

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[6] *See id.* at 387 (stating that supplemental photocopied reading materials are used to enhance the information offered to students).

[7] *See id.* (explaining that photocopied materials are "important [[educational] tool[s]" for classroom use).

[8] Web pages have become very popular for just such purposes. *But see* Kenneth R. Weiss, "A Wary Academia on Edge of Cyberspace," *L.A. Times*, Mar. 31, 1998, at A1 (noting that not all educators "embrace the Internet."

[9] *See* Michael D. Scott, "Frontier Issues: Pitfalls in Developing and Marketing Multimedia Products," 13 *Cardozo Arts & Ent. L.J.* 413, 424 (1994) ("Many publishers also control the copyrights through contractual relationships with their authors."

[10] *See* 17 U.S.C. § 106 (1994 & Supp. I 1996) (granting an exclusive right to the owner of a copyright to use and authorize the use of that copyright).

[11] *See* 17 U.S.C. § 107 (1994) (providing an exception to the exclusive rights of a copyright owner when the use of the work is considered a fair use, and listing the factors used to make that determination).

[12] Section 107 was added to the Copyright Law on October 19, 1976. *See* Copyright Act of Oct. 19, 1976, Pub. L. No. 94-553, tit. I, 90 Stat. 2541, 2546; Steven D. Smit, "Make a Copy for the File...: Copyright Infringement by Attorneys," 46 *Baylor L. Rev.* 1, 8 (1994) (noting that "the fair-use defense was expressly incorporated... into the Copyright Act of 1976."

Despite inclusion of the Fair Use Doctrine into the 1976 Copyright Act, concerns remained both for the community of copyright owners and users of copyrighted materials over uncertainty in the interpretations of this portion of the new Act, as well as what might constitute an abuse of the fair use privilege.[15] After enactment of the fair use legislation, and as an initial response to those concerns, publishers and academicians met to discuss the use of copyrighted materials in the non-profit academic setting. The result was the Agreement on Guidelines for Classroom Copying in Not-for- Profit Educational Institutions, with Respect to Books and Periodicals ("Classroom Guidelines").[16] These Classroom Guidelines addressed the Fair Use Doctrine's applicability to the academic community much more specifically than the previously enacted legislation, and sought to provide guidance to users within the non-profit educational environment on what constitutes proper use of copyrighted materials for research and teaching purposes. After an agreement on the Classroom Guidelines was reached, Congress put its imprimatur on the Classroom Guidelines by incorporating them into the House Report on the 1976 Copyright Act, although they were not a part of the new statute.[17]

More than twenty years later, complaints still remain from a number of academic user circles (faculty, staff, students, and librarians) that the Classroom Guidelines do not work in the way most necessary: facilitating access to and use of copyrighted materials for research, teaching, and learning purposes.[18] Some of the most frequent complaints from academic users of copyrighted material about the Classroom Guidelines involve the seemingly arbitrary limit on the number of words and/or about the Classroom Guidelines involve the seemingly arbitrary limit on the number of words and/or percentage of a work which is allowed to be reproduced and used.[19] In fact, as early as February 1976, before congressional adoption of the Classroom Guidelines and in an unsuccessful effort to delay the congressional adoption of the Classroom Guidelines, The American Association of University Professors (AAUP) suggested that the Classroom Guidelines "seriously interfere[d] with the basic mission [of] and effective operation of higher education . . . [and] ultimately resort to. . . language of prohibition" rather than an accurate interpretation of the language and intent of the fair use statute.[20] The AAUP further suggested that the Classroom Guidelines unnecessarily restricted uses of copyrighted material, "threaten[ing] the responsible discharge of the functions of teaching and research."[21]

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[13] *See* Marks, *supra* note 2, at 1377 (explaining that public interest sometimes outweighs an author's interest in copyright protection).

[14] *See* 17 U.S.C. § 107 (describing the uses and purposes for use that do not require permission from the owner of the copyrighted materials).

[15] *See* Pierre N. Leval, "Commentary, Toward a Fair Use Standard," 103 *Harv. L. Rev.* 1105, 1105-07 (1990) (noting the confusion surrounding the Fair Use Doctrine).

[16] Sheldon Elliot Steinbach et al., *Agreement on Guidelines for Classroom Copying in Not-For-Profit Educational Institutions*, H.R. Rep. No. 94- 1476, at 68-70 (1976), reprinted in 1976 U.S.C.A.A.N. 5659, 5681-83 (noting that this report is commonly referred to as the Classroom Guidelines).

[17] *See* H.R. Rep. No. 94-1476, at 68 (stating that the Classroom Guidelines provide the "minimum... standards of educational fair use under Section 107 of [the Copyright Act of 1976]."

[18] Kenneth D. Crews, "Fair Use and Higher Education: Are Guidelines the Answer?," *Academe*, Nov./Dec. 1997, at 38, 38-40 (criticizing the usefulness of the guidelines, and discussing their failure to provide any helpful insight to the meaning of fair use in an educational environment).

The problem is even greater in the electronic forum. President Clinton established the Information Infrastructure Task Force (IITF) in 1993, to increase public access to electronic information on the Information Infrastructure.[22] A subcommittee of this task force, the Working Group on Intellectual Property, was formed to address the applicability of the Copyright Laws to Internet materials.[23] This Group held a Conference on Fair Use (CONFU) from 1994 to 1996,[24] partially in an attempt to develop fair use guidelines applicable to material appearing on the

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[19] See H.R. Rep. No. 94-1476, at 68 (defining "brevity," a requirement for compliance with the Classroom Guidelines, as a "complete poem if less than 250 words and if printed on not more than two pages or... an excerpt from any prose work of not more than 1,000 words or 10% of the work, whichever is less, but in any event a minimum of 500 words."

[20] John C. Stedman, "The New Copyright Law: Photocopying for Educational Use," *Am. Ass'n of Univ. Professors Bull.*, Feb. 1977, at 5, app. C at 15 (reprinting in full the Letter from The American Association of University Professors (AAUP), to Robert W. Kastenmeier, Congressman (May 25, 1976)).

[21] *Id.*

[22] *See* DanThu Thi Phan, "Note, Will Fair Use Function on the Internet?," 98 *Colum. L. Rev.* 169, 171 (1998) (noting that President Clinton formed the IITF in recognition of "the emerging significance and influence of new media and Internet technologies".

[23] *See id.* at 171-72 ("The Working Group's Mission [was] to discuss the applicability of existing copyright law to the [National Information Infrastructure] and to make recommendations about what is needed to lay the groundwork for the rapid and efficient development of the Internet."

[24] The CONFU was held to "examine[ ] whether the current intellectual property regime was appropriate for maintaining a proper balance between the public interest in free information... and the economic interests of authors and creators." *Id.* at 172; *see infra* notes 124-29 and accompanying text (discussing the Conference on Fair Use).

Internet.[25] After more than two years, however, a consensus could not be reached on the appropriate guidelines for fair use in the electronic arena.[26] The impasse was insurmountable and the group went on hiatus, promising that if it could not develop guidelines, then it would at least try to develop fundamental principles by which to approach the use of copyrighted materials. The date set for the group to resume discussion was May 18, 1998.[27]

On that date, the Conference on Fair Use (CONFU) held what would be its final meeting. The meeting included an update on the three proposed guidelines emanating from the previous CONFU meeting, as described in the 1997 CONFU Interim Report, in addition to demonstrations of several copyright educational projects and licensing projects for educational uses.[28] Of the three areas in which proposed guidelines had been devised--distance education, educational multimedia, and visual images--apparently only the multimedia guidelines were being used.[29] With respect to the remaining two, the visual images guidelines were reportedly unworkable, and no consensus could be reached on the distance learning guidelines.[30] A final report is forthcoming which is expected to include a briefing on this last meeting; however, it does not appear that any new or significant progress was made.

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[25] Use of copyrighted material on the Internet was only one area of use under consideration by CONFU. See Phan, supra note 22, at 172. The CONFU participants were divided into six working groups: Digital Images, Distance Learning, Educational Multimedia, Electronic Reserves Systems, Interlibrary Loan Document Delivery, and Software Use in Libraries. *See id.* at 172 n.17.

[26] Bruce A. Lehman, U.S. Patent and Trademark Office, *The Conference on Fair Use: Report to the Commissioner on the Conclusion of the First Phase of the Conference on Fair Use* (1997) [hereinafter Conclusion Report]. Three sets of guidelines--digital images, distance learning, and educational multimedia-- had been offered for "public debate, discussion, endorsement, and implementation" prior to the May 1998 meeting. *Id.* at 10-15. However, as with the other areas originally under consideration, these guidelines are being offered without a consensus endorsement of the CONFU participants. *See id.* at 20. As the referenced report notes in fact, "indeed some CONFU participants strongly oppose them, while others strongly support them." *Id.* at 20-21.

[27] *Id.* at 9.

[28] *See* Page Putnam Miller, Final Meeting of the Conference on Fair Use, NCC Wash. Update (National Coordinating Committee for the Promotion of History, Wash., D.C.), May 20, 1998, at 3 (noting that this concluded three years of meetings).

[29] *See id.* (noting that although they were being used, they were not approved by CONFU).

[30] *See id.* (noting that negotiations over the two issues had "bogged down."

III. Discussion

Despite these circumstances and setbacks, educational institutions are still major users of copyrighted information and materials.[31] Faculty, staff, and students still desire a timely, easy, and effective means by which to use such materials.[32] The Classroom Guidelines[33] are no longer considered satisfactory to users in this regard, and in any event, may not apply to the electronic context.[34] However, reference to the Fair Use Doctrine of the copyright law is certainly still appropriate in determining whether the relevant criteria for such use without permission are met.[35] Fair use is not the "catch all" panacea permitting any and all uses of copyrighted material, whether in printed, electronic, or other form, by academicians solely because the use is for "educational purposes."[36]

This has been a widely held misinterpretation of the Fair Use Doctrine and is the most frequently offered defense (by academics defending themselves to weary academic administrators and attorneys) against suggestions that a particular use might be a copyright infringment.[37] The reasons for this misinterpretation of the Fair Use Doctrine are many, and are to some extent understandable. For instance, the Fair Use Doctrine, like much of the copyright law, is unclear and subject to multiple interpretations.[38] Thus, in an effort to facilitate a better understanding of this difficult subject, and avoid improper uses of copyrighted materials, an increase of adequate training and education is necessary.

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[31] *See* Barry, *supra* note 5, at 387 ("Most students at some point in their academic careers purchase supplemental photocopied reading materials in addition to the required textbooks for their classes.").

[32] *See id.* at 394 (stating that educators want "maximum availability of teaching materials and teaching resources," which would include photocopied copyrighted materials).

[33] *See supra* notes 16-17 and accompanying text (discussing the Classroom Guidelines).

[34] *See* Lois F. Wasoff, "Fair Use Guidelines for Educational Multimedia, in Drafting, Negotiating and Enforcing Trademark, Copyright and Software Licensing Agreements: A Satellite Program 1998," at 111, 114 (PLI Patents, Copyrights, Trademarks, and Literary Prop. Course Handbook Series No. 517, 1998) (noting that the Classroom Guidelines are not intended to cover every educational context, including certain electronic uses).

[35] *See* 17 U.S.C. § 107 (1994) (listing the relevant criteria for determining "fair use"; *infra* notes 46-128 and accompanying text (discussing the four-prong test for determining fair use and discussing case law in which courts have applied the test).

[36] *See* Barry, *supra* note 5, at 394 (explaining that educators want a "blanket exemption for multiple copying for educational purposes."

[37] *See* 17 U.S.C. § 504 (c)(2) (1994) (providing a defense to infringement to an educational user who "believed and had reasonable grounds for believing that his or her use of the copyrighted work was a fair use under section 107."

The objectives of this Article are threefold: (1) to explain the law relating to fair use, distinguishing it from the misapplications of the law that sometimes occur in academia;[39] (2) to speculate on the consequences of continued abuses of the Fair Use Doctrine--even by academicians;[40] and (3) to make suggestions to the academic community for education, training, and monitoring of the uses of copyrighted material.[41] When implemented, the suggestions are intended to reduce the risk of copyright infringement and institutional liability, while providing a means by which to most efficiently assess whether the use in question is a fair use or requires permission.

IV. The Law

The authors of intellectual property have a property right in their creations that is protected within the copyright law.[42] This property interest is subject to abuse by those who attempt to use the ideas of others for commercial gain without permission of the copyright owner. Under these circumstances, copyright owners may file a civil action for copyright infringement seeking equitable relief and/or damages.[43] Those charged often offer the Fair Use Doctrine as a defense or justification for the alleged infringement.[44] In order to determine whether an alleged infringement of copyrighted

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[38] *See* Melville B. Nimmer & David Nimmer, 4 *Nimmer on Copyright* § 13, at 153 (1998) (stating that "fair use" is not defined by the Fair Use Doctrine due in part to the lack of "a rule that may automatically be applied in deciding whether any particular use is 'fair'").

[39] *See infra* notes 46-128 and accompanying text (discussing the law relating to fair use).

[40] *See infra* notes 135-54 and accompanying text (discussing the consequences of abuses of the Fair Use Doctrine). To date, the academic/educational community has not been challenged in court by either the copyright owner or publishing community regarding some of the questionable uses of copyrighted material without permission.

[41] *See infra* notes 155-62 and accompanying text (discussing suggestions for change).

[42] *See* Copyright Act of 1976, 17 U.S.C. §§ 101-107 (1994 & Supp. 1996) (providing for copyright protection).

[43] *See* 17 U.S.C. § 501(b) (1994) ("The legal or beneficial owner of an exclusive right under a copyright is entitled... to institute an action for any infringement of that particular right committed while he or she is the owner of it.").

[44] *See* 17 U.S.C. § 107 (providing for a fair use defense).

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work constitutes a fair use rather than an unlawful one, the courts have applied a four-factor test as mandated by statute.[45]

A. The Four-Prong Test

1. The Purpose and Character of the Use

The purpose and character of the use is the first of four factors analyzed to determine whether or not the secondary use in question is justified.[46] Since the earliest application of the Fair Use Doctrine,[47] American courts have held that use of copyrighted work which is transformative is the kind of activity that the Fair Use Doctrine is designed to permit.[48] Therefore, the Fair Use Doctrine will be justified where the purpose and character of the use is to create or produce that which is different from the original work.[49] However, it is important to emphasize that if the use is of a commercial nature rather than for a nonprofit educational purpose, the use may be inappropriate for fair use justification.[50]

2. The Nature of the Copyrighted Work

The second factor that guides the application of the Fair Use Doctrine weighs the nature of the copyrighted work in relation to its established purpose. Copyrighted material intended for publication is more likely to be considered susceptible to fair use than a document created for a private purpose. For example, the Fair Use Doctrine might be successfully applied to use of a published academic research article. However, the doctrine would probably not be successfully applied to allow use of a work that is unpublished, mainly because the author's right to control the initial appearance of her expressions would take priority over release of the work before publication.[51]

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[45] *See id.* (listing the four criteria); *infra* notes 46-128 (discussing the four-prong test and cases in which courts have applied this test).

[46] *See* 17 U.S.C. § 107 (stating the first factor).

[47] *See Gyles v. Wilcox*, 26 Eng. Rep. 489, 490 (Ch. 1740) (stating that copyright laws "must not be carried so far as to restrain persons from making a real and fair abridgement."

[48] *See* Leval, *supra* note 15, at 1111 ("A quotation of copyrighted material that merely repackages or republishes the original is unlikely to pass the [fair use] test.").

[49] An example of this is a multimedia work incorporating a portion of the copyrighted works of a number of individuals in order to create a wholly new work for use in classroom teaching. *See id.* There are, in fact, an infinite number of ways in which original works may be manipulated to be substantially different from, yet based upon original, copyrighted works, i.e., as derivative works. *See id.*

[50] *See Princeton Univ. Press v. Michigan Document Servs., Inc.*, 99 F.3d 1381, 1400 (6th Cir. 1996) ("The fact that a publication [is] commercial as opposed to nonprofit is a separate factor that tends to weigh against a finding of fair use." (citation omitted)); *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522, 1532 (S.D.N.Y. 1991) (stating that "consideration of the commercial use is an important one").

Furthermore, the courts have granted a wider latitude in the use of factual material developed by another, as opposed to nonfactual material.[52] For instance, a finding of fair use would not be justified if a defendant copied excerpts from creative material such as a book of poetry or a novel.[53] To the contrary, a finding of fair use would not be improper if the copies were telephone book listings, citations from the yellow pages, or some other factual source, i.e., historical dates without accompanying creative information.[54]

3. The Amount and Substantiality of the Material Used

The third factor considers the amount and substantiality of the copyrighted material used in relation to the entire copyrighted work. While the courts have found relatively small quantitative uses to be within the Fair Use Doctrine,[55] use of either a significant portion of a copyrighted work, whether that be the number of pages or the "heart of the book,"[56] is less likely to qualify as fair use.[57] Thus, efforts to copy entire works for use in the classroom are generally prohibited.[58] This includes out-of-print material.[59]

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[51] *See Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 564 (1985) ("The fact that a work is unpublished is a critical element of its 'nature'" (citation omitted)); *Wright v. Warner Books, Inc.*, 953 F.2d 731, 737 (2d Cir. 1991) (noting the importance of an author's right to "control the first public appearance of his expression"); *see also* Leval, *supra* note 15, at 1118 (stating that an author who prefers not to publish a work, or prefers to make "aesthetic choices" regarding its first publication, will generally have the legal right to do so).

[52] *See Kinko's Graphics Corp.*, 758 F. Supp. at 1532-33 (emphasizing that factual works are given less protection).

[53] *See id.* at 1533 ("Fictional works... are often based closely on the author's subjective impressions and, therefore, require more protection.").

[54] *See Michigan Document Servs., Inc.*, 99 F.3d at 1405 ("Factual compilations, such as telephone book listings... with only a small element of creativity and originality may be used more freely than creative works."); *Salinger v. Random House, Inc.*, 811 F.2d 90, 96 (2d Cir. 1987) (explaining that there is no risk in copying factual content).

[55] *See New Era Publications, Int'l v. Carol Publ'g Group*, 904 F.2d 152, 158 (2d Cir. 1990) (holding that use of a small percentage of a published work is fair use).

[56] *Harper & Row, Publishers, Inc.*, 471 U.S. at 564-65; see Elaine B. Krasik, "Note, Taking of Verbatim Quotations in Maxtone-Graham v. Burtchaell: An Unfair Use," 49 *U. Pitt. L. Rev.* 617, 645 (1988) (defining the "heart of the book" as "'among the most powerful passages in' the book" (citation omitted)).

[57] *See Michigan Document Servs., Inc.*, 99 F.3d at 1389 (stating that the greater the volume or importance of what is taken, the less likely the taking will qualify as fair use).

This factor demands that the amount and substantiality of use be assessed simultaneously.[60] Just as the percentage of the original copyrighted work used is important,[61] consideration of whether the portion of the material used--large or small--constitutes a central or critical part of the copyright owner's work is required by substantiality analysis.[62] Consideration of this factor in this light helps guard against a harsh application of the Fair Use Doctrine, which would deny its implementation simply because a large portion of the copyrighted work was used irrespective of its overall importance to the work.[63] Hence, if the "essence" of the copyright holder's work is not used and there is no adverse market impact, use of a rather extensive portion of copyrighted material may still qualify as a fair use.[64]

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[58] *See Kinko's Graphics Corp.*, 758 F. Supp. at 1534 (finding infringement occurred where "[i]n almost every case, defendant copied at least an entire chapter of a plaintiff's book" for classroom use).

[59] *See id.* at 1533 (noting that out-of-print material may be particularly problematic since fees for copying and use of such material may be the only source of income for such material); *infra* notes 102-03 and accompanying text (discussing the importance of the fact that the copied materials in the *Kinko's* case were out of print). *But see Maxtone-Graham v. Burtchaell*, 803 F.2d 1253, 1264 n.8 (2d Cir. 1986) ("If the work is 'out of print' and unavailable for purchase through normal channels, the user may have more justification for reproducing it than in the ordinary case." (citation omitted)).

[60] *See Kinko's Graphics Corp.*, 758 F. Supp. at 1533 (noting that there is an implicit assumption that amount and substance of use must be assessed simultaneously).

[61] *See Michigan Document Servs., Inc.*, 99 F.3d at 1389 (making the point that "the larger the volume... the greater the affront to the interests of the copyright owner"); *Kinko's Graphics Corp.*, 758 F. Supp. at 1533 (indicating that the percentage of the original work used is considered).

[62] *See Kinko's Graphics Corp.*, 758 F. Supp. at 1533 (declaring that, in addition to the quantitative, courts must also evaluate the qualitative aspects of the material copied).

[63] *See* Harry G. Henn, *Copyright Law: A Practitioner's Guide*, 186 (2d ed. 1988) ("Qualitative is more important than quantitative.").

[64] *See* Leval, *supra* note 15, at 1123 (providing an example of a work which quotes all of a copyrighted work without affecting the market potential of the piece). *But see* Krasik, *supra* note 55, at 617 n.3 (summarizing a case in which the court rejected a claim for fair use because the "essence" had been used and the market value was adversely impacted).

4. The Effect of the Use on the Work's Market Value

The fourth factor, the effect of the use on the work's market value, has been characterized in certain U.S. Supreme Court cases as the most important element in fair use analysis.[65] The Court has generally held that "'[f]air use . . . is limited to copying by others which does not materially impair the marketability of the work which is copied.'"[66] This does not mean that the absence of an adverse impact on the marketability of the work in every instance justifies the use as a fair use, or conversely that whenever there is any market impact the use cannot be fair use.[67] The other three factors remain important and are not made irrelevant by the fourth factor. However, the Supreme Court has suggested that the fourth factor is the most important, requiring only a showing of widespread use that would negatively affect the potential market of the copyrighted material to bar a fair use defense.[68]

B. The Law and the Four-Prong Test

In *Iowa State University Research Foundation, Inc. v. American Broadcasting Co.*, the Second Circuit addressed the issue of copyright infringement.[69] The defendant in that case, the American Broadcasting Companies (ABC), attempted to assert the Fair Use Doctrine as a defense for their unauthorized use of a film, produced by an Iowa State University (ISU) student, entitled "Champion."[70] The film featured then world-class wrestler Dan Gable, a gold medal favorite in the

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[65] *See Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 566 (1985) (stating that the effect on the work's market value "is undoubtedly the single most important element of fair use"). *But see Kinko's Graphics Corp.*, 758 F. Supp. at 1533 (stating that the four factors must be equally balanced).

[66] *Harper & Row, Publishers, Inc.*, 471 U.S. at 566-67 (quoting 1 *Nimmer on Copyright*, *supra* note 3, § 1-10[D], at 87); *see Michigan Document Servs., Inc.*, 99 F.3d at 1385 (noting the four factors that the legislature promulgated in order to determine fair use)

[67] *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 584 (1994) (noting that "the mere fact that a use is educational and not for profit does not insulate it from a finding of infringement, any more than the commercial character of a use bars a finding of fairness").

[68] *See Harper & Row, Publishers, Inc.*, 471 U.S. at 568 (noting that "to negate fair use one need only show that if the challenged use 'should become widespread, it would adversely affect the potential market for the copyrighted work'" (citation omitted)); *see also* Leval, *supra* note 15, at 1124- 25 (asserting that the doctrine of fair use should be negated when impairment to the copyright holder's potential market is substantial).

[69] 621 F.2d 57 (2d Cir. 1980).

[70] *See id.* at 60 (stating that ABC raised the defense of fair use).

1972 Olympic Games, and provided a brief biography of Gable.[71] Attempts to sell the film to ABC and others failed.[72] Subsequently, an ABC producer obtained a copy of the film; however, no compensation was ever tendered by ABC to the student or to ISU.[73] Portions of the film thereafter appeared during ABC's broadcast of the 1972 Summer Olympics.[74]

Unable to reach a settlement regarding compensation for ABC's use of the clips from the film, ISU filed suit against ABC.[75] Although ABC admitted copying and using portions of the film, it argued that its use was a fair use since it only disseminated the life history of a public figure participating in an event of global concern.[76] The district court rejected this defense, stating that the "defendants appropriated something of value for which, from the nature and extent of their business, they were well prepared to pay."[77] In other words, the nature and character of ABC's use was not solely motivated by beneficence, but at least in part, by commercial exploitation.[78]

Rejecting the application of rigid rules, the Second Circuit instead emphasized the importance of an ad hoc examination of the facts presented in each case that seeks to apply the Fair Use Doctrine. To guide such an examination, the court turned to the four-prong fair use test.[79]

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[71] *See id.* at 58 (noting that Gable was a "fellow student... who was destined to win a gold medal").

[72] *See id.* at 59 (noting the students failed attempt to sell the film to ABC, NBC, and the Hughes Sports Network).

[73] ISU had a registered copyright to the film and retained all rights to it, except that it had granted to the student the right to license its first television broadcast. *See id.*

[74] *See id.* (explaining that the student did not believe he had entered into a contract to sell the film and was "shocked" to see portions of it on the Olympic telecast).

[75] *See id.* (explaining that initially ABC denied using "Champion," but after suit was brought, they admitted to limited use of the film).

[76] *See id.* at 60 (noting that ABC attempted to use "public benefit" as justification for its use of the film)

[77] *Iowa State Univ. Research Found., Inc. v. American Broad. Co.*, 463 F. Supp. 902, 905 (S.D.N.Y. 1978).

[78] *See id.* (declaring that it is relevant that the film was used at least partially for commercial purposes).

[79] *See American Broad. Co.*, 621 F.2d at 60 (explaining that although there are no fixed set of rules in fair use analysis, consideration is given to these factors: "(1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the amount and substantiality of material used in relation to the copyrighted work as a whole; and (4) the effect of the use on the copyright holder's potential market for the work").

In so doing, the court rejected ABC's argument that it was engaged in sharing important information about a renowned public figure.[80] The court opined that ABC's infringement stemmed from its use of actual film footage of "Champion." This does not mean that ABC would have been liable for copyright infringement had it only used facts expressed in the film made by ISU.[81] "The public interest in the free flow of information is assured by the law's refusal to recognize a valid copyright in facts."[82] Nonetheless, ABC could not successfully assert the Doctrine of Fair Use by arguing that the American public may have had a sincere interest in a telecast about one of its athletes competing in the Olympic games. According to the court:

> The fair use doctrine is not a license for corporate theft, empowering a court to ignore a copyright whenever it determines the underlying work contains material of possible public importance. Indeed, we do not suppose that appellants would embrace their own defense theory if another litigant sought to apply it to the ABC evening news.[83]

ABC's argument that the Fair Use Doctrine was a valid defense was fourfold: first, ABC asserted that the public benefit in sharing historical and biographical information should move the court to find that ABC's use was appropriate; second, they argued that the "'nature of the copyrighted work' was essentially different from that of the network's olympic broadcasts";[84] third, they asserted that a portion of material used from the copyrighted work was insignificant; finally, ABC contended that the copyright holder's potential market had not been adversely affected.[85] The circuit court rejected all of these arguments and instead found that the copyright granted the holder the right to exploit the marketplace or withhold the copyrighted material from use in the marketplace.[86] Further, the court held that ABC's use of "Champion" violated the fundamental privileges that all copyright holders are granted by law.[87] Thus, the Fair Use Doctrine was deemed unavailable.[88]

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[80] *See id.* at 61 (stating that "[t]his argument proves too much").

[81] *See id.* (declaring that ABC possessed the right to use factual information revealed in "Champion," but that there was no need to use the actual footage).

[82] *Id.*

[83] *Id.* (footnote omitted).

[84] *Id.*

[85] *See id.* at 62 (arguing that for the fourth factor, ABC's use actually increased the market value of the film as evidenced by the increase in demand for rentals of the film).

[86] *See id.* at 62 (stating the rights ISU had as owner of the copyright).

[87] *See id.* at 60-62 (implying that all copyright holders have fundamental rights that protect their work unless a Fair Use Doctrine exception applies).

[88] *See id.* at 62 (concluding that "the fair use defense is unavailable to ABC".

In *Basic Books, Inc. v. Kinko's Graphics Corp.*,[89] the most celebrated copyright case related to the academic setting prior to the recent *Michigan Document Services, Inc.* case,[90] the Fair Use Doctrine was the source of litigation between a publisher and a copy center. Kinko's provides copying services, primarily for college students and university professors.[91] Basic Books, the plaintiff, is a publishing company that profits from the sale of textbooks and the assessment of permission fees.[92] Basic Books filed an action for damages and injunctive relief on the grounds that Kinko's violated the plaintiff's copyright. Specifically, Basic Books alleged that Kinko's copied material from the plaintiff's textbooks without permission, assembled the copied materials as packets, and sold these packets to students,[93] thereby obviating the need for students to purchase textbooks from the plaintiff.[94]

The court ruled in favor of the plaintiff, holding that Kinko's use constituted infringement.[95] Considering the four factors applicable to a determination of fair use, the court found that the character and purpose of Kinko's use was commercial and not educational.[96] Kinko's argued that it acted as an agent of the educational institution, but the court concluded that the advertisement and incentives offered to professors to use Kinko's services "belie[d] this contention."[97] Kinko's went to great lengths to achieve profit-making objectives and offered professors a 10% discount for submitting orders early, marketed savings programs to students, and offered pick-up and delivery services.[98] In light of these efforts, the court stated that Kinko's insistence that it had "educational concerns and not profitmaking ones boggles the mind."[99]

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[89] 758 F. Supp. 1522 (S.D.N.Y. 1991)

[90] *See Princeton Univ. Press v. Michigan Document Servs., Inc.*, 99 F.3d 1381 (6th Cir. 1996) (holding that infringement occurred where the copy shop prepared and sold copied portions of copyrighted work without paying royalties or permission fees); *see also infra* notes 116-24 and accompanying text (discussing the *Michigan Document Services* case).

[91] *See Kinko's Graphics Corp.*, 758 F. Supp. at 1534 (noting that Kinko's has "200 stores nationwide" that are mostly located near college campuses).

[92] *See id.* (noting that "plaintiffs derive a significant part of their income from textbook sales and permissions").

[93] *See id.* at 1526 (describing plaintiff's allegations that Kinko's infringed plaintiff's copyright by copying and distributing materials without permission and without paying required fees).

[94] *See id.* at 1534 (noting that "it is... likely that purchase of the packets obviates [the] purchase of the full texts").

[95] *See id.* at 1547 (stating that "the excerpts copied bydefendant Kinko's [were] not a fair use of plaintiffs' copyrights").

[96] *See id.* at 1531 (noting that although the packets had an educational use to students, their use to Kinko's employees was commercial).

[97] *Id.* at 1532.

As for the nature of the work copied, the law gives less copyright protection to factual works because they are deemed to have greater public value than fictional works that are based upon an author's subjective impressions.[100] In this case, the books included were both in print and out-of-print, and focused largely on the range of social sciences writings.[101] Thus, the materials infringed upon in this case, were factual in nature, thereby supporting the defendant's fair use defense.[102]

The third factor of the four-prong test considers the amount and substantiality of the material used.[103] The court acknowledged that there is no bright line rule regarding how much of a copyrighted material can be used and still be considered fair use, but concluded that the portions used were critical because the professors wanted students to have these materials for their classes.[104] The court noted that the content of the copied works, when coupled with the amount of Kinko's usage, was so excessive it violated the third prong of the test.[105]

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[98] *See id.* at 1531-32 (providing examples of the advertising used and incentives granted).

[99] *Id.* at 1532.

[100] Courts generally hold that "the scope of fair use is greater with respect to factual than non-factual works." *New Era Publications, Int'l v. Carol Publ'g Group*, 904 F.2d 152, 157 (2d Cir. 1990).

[101] *See Kinko's Graphics Corp.*, 758 F. Supp. at 1534 (noting that the books copied were "out-of-print" which effected the potential market value).

[102] *See id.* at 1530 (noting that "any common law interpretation proceeds on a case-by-case basis"; *see also Carol Publ'g Group*, 904 F.2d at 157 (noting that "there is no bright-line test for distinguishing between" factual and non-factual works).

[103] *See Kinko's Graphics Corp.*, 758 F. Supp. at 1533 (noting that the "courts must evaluate the qualitative aspects as well as the quantity of material copied").

[104] *See id.* (noting that the content of the copied sources was important "since that is the likely reason the college professors used them in their classes").

[105] *See id.* at 1533-34. In this case, the passages copied ranged from 14 to 110 pages, representing 5.2% to 25.1% of the works. In one case Kinko's copied 110 pages of someone's work and sold it to 132 students. Even for an out-of-print book,this amount [was] grossly out of line with accepted fair use principles. *Id.* (citations omitted).

The final factor focuses on the effects of the use on the potential market for the copyrighted work.[106] Of critical importance in the *Basic Books* case was the fact that the material Kinko's copied from the plaintiff's textbook involved out-of-print books.[107] "[P]laintiffs in this case convincingly argue[d] that damage to out-of-print works may in fact be greater since permissions fees may be the only income for authors and copyright owners."[108] Kinko's is a nationwide commercial business strategically located near colleges and universities across the country.[109] By copying the plaintiff's books, Kinko's can assemble convenient packets of material as per a professor's instruction, taking excerpts from various books.[110] Thus, students need not buy an entire book if only a chapter is necessary. "While it is possible that reading the packets whets the appetite of students for more information from the authors, it is more likely that purchase of the packets obviates purchase of the full texts."[111] Therefore, the court concluded, packets sold by Kinko's exacted a substantial hardship on Basic Books' ability to market any of its books which were impermissibly copied by Kinko's.[112]

In addition to the four-factor analysis, the court also took into consideration Kinko's status as a for-profit corporation combined with its intent to generate revenue, which were contrary to the fundamental legislative design of the copyright law.[113] The court turned to the Classroom Guidelines[114] in order to interpret the legislative intent of the Copyright Act of 1976.[115] The Classroom Guidelines suggest that Congress intended to give more support to the assertion of the fair use defense by a nonprofit educational institution as opposed to a for-profit corporation.[116] Kinko's never submitted a request for permission to use Basic Books' material and the court believed that production and sale of the packets severely hampered the plaintiff's business opportunity.[117] Classification of the defendant's conduct as fair use in this case would, according to the courts, amount to an expansion of that doctrine that was not equitable or reasonable.[118]

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[106] *See id.* at 1534 (stating that market effect "has been held to be 'undoubtedly the single most important element of fair use'" (citation omitted)).

[107] *See id.*

[108] *Id.* at 1533.

[109] *See id.* at 1534 (noting that Kinko's has hundreds of stores nationwide which cater to thousands of college students and many universities).

[110] *See id.* at 1526-29 (describing the process by which Kinko's copies and markets course packets to professors).

[111] *Id.* at 1534.

[112] *See id.* (finding that Kinko's copying "unfavorably impact[ed] upon plaintiffs' sales of their books and collections of permissions fees").

[113] *See id.* at 1535-36 (noting that Kinko's status as a for-profit corporation, and its profitmaking intent, were to be considered).

[114] Sheldon Elliot Steinbach et al., *Agreement on Guidelines for Classroom Copying in Not-For-Profit Educational Institutions*, H.R. Rep. No. 94- 1476, at 68-70 (1976), reprinted in 1976 U.S.C.A.A.N. 5659, 5681.

[115] *See Kinko's Graphics Corp.*, 758 F. Supp. at 1535 (noting that the Classroom Guidelines are a part of the legislative history of the Copyright Act of 1976).

In facts comparable to those found in Kinko's, the United States Court of Appeals for the Sixth Circuit addressed a similar dispute between a publisher and a copying service business regarding fair use in *Princeton University Press v. Michigan Document Services, Inc.*[119] Michigan Document Services (MDS) is a copy shop in Ann Arbor, Michigan which provides services to those in and near the University of Michigan. MDS's services include production of course packs that are copied excerpts from copyrighted works.[120] Publishers of some of those copyrighted works filed a lawsuit claiming infringement because of MDS's failure to seek permission and/or pay royalties or permission fees.[121]

In what was a short-lived victory for the copy shop, professors, and other classroom users of copyrighted information, a three-judge panel in the Sixth Circuit initially held that the action of MDS met the fair use test,[122] by finding that reproduction by the copy center of materials designated by the professors was fair use.[123] Had this decision been upheld on appeal, it would likely have been interpreted to signal a major shift in fair use determinations by courts (even though this was a Sixth Circuit rather than a Supreme Court decision), and very possibly would have increased the amount of flexibility of those within academic institutions to use copyrighted materials in their courses.[124] Instead, the Sixth Circuit vacated this decision and granted a rehearing en banc.[125]

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[116] *See id.* at 1536 (stating that "notwithstanding their promulgation, fair use standards may be more or less permissive--depending upon the circumstances and based upon equitable considerations" (footnote omitted)). *But see id.* at 1537 (noting that the court in Kinko's refused to pronounce a bright line rule which would hold that "all unconsented anthologies are prohibited without a fair use analysis").

[117] *See id.* at 1526, 1534 (stating that Kinko's admitted to copying excerpts without permission).

[118] *See id.* at 1529 (noting that the Fair Use Doctrine is an "equitable rule of reason".

[119] 99 F.3d 1381 (6th Cir. 1996).

[120] *See id.* at 1383 (noting that Michigan Document Services, Inc. "reproduced substantial segments of copyrighted works of scholarship, bound the copies into 'coursepacks,' and sold [them] to students").

[121] James Smith, the owner of Michigan Document Services, concluded that the *Kinko's* decision was incorrectly decided and published this opinion in "speeches, writings, and advertisements." *Id.* at 1384. Mr. Smith decided not to seek permission from copyright holders to reproduce their materials in the coursepacks, and Princeton University Press, MacMillan, Inc., and St. Martins Press, Inc. filed this lawsuit. *See id.*

[122] *See Princeton Univ. Press v. Michigan Document Servs., Inc.*, No. 94-1778, 1996 WL 54741, at *12 (6th Cir. Feb. 12), vacated, 74 F.3d 1528 (6th Cir.), *reh'g granted*, 99 F.3d 1381 (6th Cir. 1996) (reversing the district court and granting summary judgment for MDS "on the basis of fair use").

On rehearing, the full court, applying the four-factor test, found that Michigan Document's use of the plaintiffs' work was outside the parameters of fair use.[126] The court stated:

> In its systematic and premeditated character, its magnitude, its anthological content, and its commercial motivation, the copying done by MDS goes well beyond anything envisioned by the Congress that chose to incorporate the guidelines in the legislative history . . . .

Although the Congress that passed the Copyright Act in 1976 would pretty clearly have thought it unfair for a commercial copyshop to appropriate as much as 30 percent of a copyrighted work without paying the license fee demanded by the copyright holder, the changes in technology and teaching practices that have occurred over the last two decades might conceivably make Congress more sympathetic to the defendants' position today. If the law on this point is to be changed, however, we think the change should be made by Congress and not by the courts.[127]

Thus, while suggesting that MDS has no legislative support for its conduct, the court left open the possibility that a different result might be forthcoming should Congress revisit the copyright statute. Certainly, technology has had a dramatic impact on virtually every segment of American society, and to think that the application of American copyright law has been unaffected by the advances in technology since 1976 is naive.[128]

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[123] *See id.* at *6-*12 (analyzing the copying under the four prong test and concluding that "the statutory factors, plus author incentives, dictate a finding of fair use"; *see also* "Victoria Slind-Flor, Copyright Lawyers Razz Adverse 6th Circuit Ruling," *Nat'l L.J.*, Mar. 4, 1996, at A11 (reporting on the projected import of the decision that the coursepacks fall under the Fair Use Doctrine).

[124] *See Slind-Flor, supra* note 123, at A11 (quoting a copyright attorney as predicting that the decision could result in "academic freedom for those who sell these materials to students to infringe copyrights willy-nilly").

[125] *See Princeton Univ. Press v. Michigan Document Servs., Inc.*, 74 F.3d 1528 (6th Cir. 1996) (vacating the previous opinion and judgment).

[126] *See Princeton Univ. Press v. Michigan Document Servs., Inc.*, 99 F.3d 1381, 1383 (6th Cir. 1996) (stating that the "defendants' commercial exploitation of the copyrighted materials did not constitute fair use").

[127] *Id.* at 1390-91.

Copyright protection has been and probably will continue to be challenged. Moreover, the Doctrine of Fair Use has become and may continue to be a defense against charges of copyright infringement. For higher education practitioners, the relevant inquiry regards the limits of fair use. If bright-line standards can be defined to aid decision-making as to the use of copyrighted materials, an opportunity exists to mount a successful defense to charges of infringement and possibly diminish the onset of such allegations at large.

V. Conference on Fair Use

In September 1994, in an effort to develop and articulate these "bright-line" standards, representatives of the academic community (including scholars, scholarly societies, libraries, museums, universities, colleges, and research institutions) began meeting with publishers (for-profit and university presses and other not-for-profit publishers) and other copyright owners (including artists, authors, photographers, and musicians) in an effort to develop fair use standards upon which all could agree.[129] The group, known as CONFU (The Conference on Fair Use), determined that fair use guidelines for use of copyrighted materials in the electronic arena were necessary in five major areas: Distance Learning, Multimedia, Electronic Reserves, Interlibrary Loans, and Image Collection.[130] The participants thus separated themselves into groups/committees based upon areas of interest.

Nearly three years and thousands of dollars and human hours later, the parties could not come to a consensus on guidelines in any of the areas.[131] One explanation for the impasse was that academics and other educational users of copyrighted information felt the proposed guidelines were too restrictive (preferring the uncertainty of the law and the four-prong test to the proposed guidelines), while publishers seemed to believe they were being asked to relinquish more control over the use of their materials in the context of fair use than was desirable.[132]

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[128] Fred H. Cate, "The Technological Transformation of Copyright Law," 81 *Iowa L. Rev.* 1395, 1460 (1996) (noting that "copyright law is a declining source of rights for protecting works, particularly in the digital environment").

[129] *See* Bruce A. Lehman, U.S. Patent and Trademark Office, *The Conference on Fair Use: An Interim Report to the Commissioner 2* (1996) [[hereinafter Interim Report] (noting that 40 groups were invited to participate in the first CONFU meeting, and more than 95 organizations were participating by November 1996); CONFU Background (visited Nov. 20, 1998) < http:// www.utsystem.edu/OGC/IntellectualProperty/confu2.htm> (noting that "copyright stakeholders" were called upon to participate).

[130] *See CONFU Background, supra* note 129 (stating the five areas of educational use which were selected for consideration by smaller working groups).

[131] *See Interim Report, supra* note 129, at 14-15 (outlining the goals and results of the conference on fair use and discussing the struggle of the participants in their quest to reach an agreement in the creation of fair use guidelines).

The CONFU process may provide necessary insight into both the strength of the publishers' lobby and its intransigence with respect to issues of fair use. Neither is unexpected nor inconsistent with the posture publishers have taken in the last several years with respect to use and reproduction of copyrighted works owned by publishers. The more significant question is whether the academic community should view these issues with greater concern. As a review of the law in the previous section indicates, publishers have focused previous objections to use and copying without permission on those outside the academic community.[133] While CONFU certainly signaled growing dissatisfaction within the academic community with the parameters of use as outlined in the Guidelines for Classroom Use, the inability to reach consensus during the recent CONFU process may also suggest that publishers are unwilling to significantly alter their position to accommodate the academic community. With the advent of the Internet and the decline in subscriptions to expensive print journals, the publishers' concern for protecting unauthorized use and copying of copyrighted works is growing since electronic use, dissemination, and copying are almost immediate on the Internet.[134] Will academic use and reproduction of copyrighted materials come under greater scrutiny by publishers; and if so, what could be the consequences?

VI. Implications and Consequences

A. Concerns for Publishers and the Academic Community

The publishers/owners lobby appears to be active,[135] particularly as the electronic/digital forum assumes greater importance to the academic community, and as publishers perceive the potential for losing revenue if greater safeguards for the copyrighted works they own are not developed.[136] The print media is becoming too expensive for the academic environment.[137] Throughout the academic community, librarians and other budget-focused administrators are finding it more difficult to purchase the journals (especially scientific journals), periodicals, and other resources requested by their academic communities, because they are just too expensive.[138]

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[132] *See* Phan, *supra* note 22, at 200 (stating that opponents of CONFU "contend that the Guidelines excessively restrict the scope of fair use").

[133] *See supra* notes 69-128 and accompanying text (discussing cases involving publishers' attacks on use and copying).

[134] *See* Kim Pawlak, Schroeder: Don't Underrate Content (visited Nov. 20, 1998) <http://winonanet. com/cyberindee/_ ACADAUTH/ARTICLES/98/02feb/0219schroeder.html> (noting that Patricia Schroeder, the president of the American Association of Publishers (AAP), in a speech to the National Association of College Store's Context 98 Conference Luncheon on February 19, 1998, commented on the fact that "[t]echnology has made it so easy to copy someone's content"). "Those who create content aren't going to be creating it very long if they don't get paid for it." *Id.*

[135] *See infra* notes 140-47 and accompanying text (discussing new legislation and lobbying efforts).

As the option of peer-reviewed electronic journals continues to gain support and viability, and with the greater accessibility of materials on the Internet, publishers have become more concerned about their continued ability to monitor and control access to their works.[139] This has resulted in a stronger publishers' lobby which has received congressional attention by clamoring for more protections for their work.[140] Further, publishers seem less willing to entertain the special considerations of academic institutions as evidenced by the fervor with which both academic and commercial publishers supported the referenced MDS litigation. Additionally, the legislation proposed and considered by the 1996-1997 Congress, was intended to impose affirmative duties of monitoring on all access providers, including academic institutions, and several other access restrictions.[141]

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[136] Although there are a growing number of tools which can be utilized to protect copyrighted information found on the Internet (e.g., passwords, on- line subscriptions, files which limit which network addresses can access information on a particular web server, user authentication tools, password, and identification protection), publishers appear to be dissatisfied with such tools as a means to adequately protect their copyrighted information from unauthorized use and dissemination.

[137] *See* Kenneth N. Gilpin, "Concerns About an Aggressive Publishing Giant," *N.Y. Times*, Dec. 29, 1997, at D2 (discussing the fiscal incapability of Purdue University "of absorbing anything close to th[e] rate rise" for on-line publications announced by one of the largest publishing companies).

[138] *See id.* (discussing the weak-bargaining position of subscribing entities in comparison to the all powerful publishing companies who take advantage of their position in the market by attempting to lock in subscribers to an annual increase of 9.5% for scientific and technical journals); "Reed Elsevier Pushing Aggressive Growth Plan," *N.Y. Times*, Dec. 29, 1997, at D1 (reporting on the decision by Purdue University to cancel many Reed Elsevier publication subscriptions due to projected rate increases).

[139] *See* J. Beckwith Burr, "Competition Policy and Intellectual Property in the Information Age," 41 *Vill. L. Rev.* 193, 195 (1996) (discussing the decentralized nature of the Internet and its effect on a publisher's ability to control mass distribution).

[140] In early 1996, both the House and the Senate were considering copyright legislation, namely the National Information Infrastructure (NII) Copyright Protection Act of 1995, that evolved from the White Paper on Intellectual Property and the National Information Infrastructure prepared by the Information Infrastructure Task Force, commissioned by the White House. *See* H.R. 2441, 104th Cong. (1995); S. 1284, 104th Cong. (1995). This proposed legislation represented an effort by publishers to expand their rights as owners of copyrighted material at the expense and without the benefit of input from the education community. While the bills never made it out of committee in either the House or the Senate, there is continued concern that such legislation may be introduced.

The two areas of greatest concern to academics are: first, whether greater lobbying efforts by publishers will result in new legislation further restricting the use of copyrighted material without and within the academic community; and second, whether publishers will legally venture into the previously uncharted ground of academia, suing institutions and/or individuals whom they believe violate their copyrights? Will a campus-owned copy center soon take the place of the Michigan Document Services as defendant?

B. New Legislation/Lobbying Efforts

The National Information Infrastructure (NII) Copyright Protection Act of 1995 represented the most significant effort of the publishers lobby to limit the uses and reproduction of copyrighted materials.[142] Although the legislation ultimately never made its way to either the House or Senate for a vote, there were serious efforts to pass the legislation.[143] The persistent concern of the academy and other non-commercial users of copyrighted material is that future sessions of Congress may consider and pass significantly similar iterations of this legislation.[144] The form of the bill under consideration in 1997 contained the following provisos of concern to the academic community: it would be a copyright violation to simply browse the Internet without a license from copyright owners; computer system operators (e.g., on-line services and networks at schools and libraries) would be subject to liability for the copyright violations of their users; distance education efforts would be limited; the manufacture, importation, or distribution of devices and software (including computers and VCRs) needed by industry, schools, and libraries to make "fair use" of encrypted information would be illegal--overruling long-standing Supreme Court precedent.[145]

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[141] *See id.* (asserting that one of the stated purposes of the bill is to clarify the fact that access providers are not liable for third-party copyright infringements unless they have notice of the infringing material and have a reasonable opportunity to limit the third-party infringement). Some suggest that this, coupled with a renewed energy around the Fair Use Doctrine by academicians, is the reason the CONFU process was unsuccessful. *See* generally Michael J. Ybarra, "Net's Glitch: Copyright Law Schools: A Computer on Every Desktop?," *L.A. Times*, May 29, 1997, at E1 (reporting that the academic world refused to relinquish the rights they had "long fought for" by letting publishers limit fair use).

[142] *See* H.R. 2441, S. 1284 (noting the liability imposed on copyright infringers); *supra* note 140 and accompanying text (providing that violators will be liable for the actual damages of the complaining parties and any additional profits attributable to the violation or for statutory damages provided for in the Act).

[143] *See* Status of House Bills, [1995-1996 Transfer Binder] Cong. Index (CCH) <para> 34,001, at 35,054, 21,029 (Nov. 22, 1996) (indicating that neither H.R. 2441 nor S. 1284 advanced past their respective Judiciary Committees); NII Copyright Protection Act of 1995: Hearings on H.R. 2441 Before The Subcommittee On Courts and Intellectual Property of The House Committee On The Judiciary, microformed on CIS No. 96-H521-18:1 (Congressional Info. Serv.) (detailing the statement of Edward P. Murphy, President and CEO, National Music Publishers' Association, Inc. testifying on behalf of the 600 members on the NMPA and their support of H.R. 2441, and emphasizing the many public policy reasons to pass the provision).

[144] The good news is that there is also legislation ready for consideration by the 1998 Congress which is supported by the American Library Association (ALA). See Digital Copyright Clarification and Technology Education Act of 1997, S. 1146, 105th Cong. (1997); Digital Era Copyright Enhancement Act, H.R. 3048, 105th Cong. (1997). The ALA believes that this

Through lobbying efforts of their own, academic institutions and others assisted in curtailing the debate until greater voice was given to their concerns.[146] However, similar legislation will continue to be considered in the present Congress.[147] Academic institutions must vigilantly monitor the status of such legislative efforts and insert themselves into the process when necessary. Otherwise, the obvious strength of the publishers/owners lobby will prevail and the interests of institutions of higher learning – particularly with respect to scholarly research and teaching efforts – will receive only marginal and inadequate consideration.

C. Litigation: Are Institutions at Risk?

To date, publishers have been unwilling to take legal action against academic institutions, individual faculty, staff or students and/or campus-owned copy centers--or even entertain the

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proposed legislation has the best chance of preserving the rights of copyright owners and users of copyrighted material. See Key Library Issues and Messages for Congress: Copyright/Intellectual Property (visited Nov. 20, 1998) <http:// www.ala.org/washoff/key.html>. There has been little movement towards passage of either of these bills. See Status of Senate Bills, Cong. Index (CCH) <para> 20,001, at 21,019 (Mar. 13, 1998).

[145] *See* National Information Infrastructure (NII) Copyright Protection Act of 1995, S.1284, 104th Cong. (1995); H.R. 2441, 104th Cong. (1995) (imposing liability on any person who knowingly distributes or imports for distribution copyright management information without the authority of the copyright owner).

[146] For instance, a conference of Big Ten officials met in Iowa City, Iowa, in May, 1996, and developed a statement which was distributed to each institution's Federal Relations Officer, for sharing with relevant legislators, which strongly urged legislators to delay voting on the measure until all voices--particularly those within the academic community--were heard. See Final Report: Conference on Collective Strategies in Approaching Copyright Issues Affecting CIC and Regent Institutions (1996) [hereinafter Copyright Issues Report].

[147] In fact, new and possibly less favorable anti-piracy legislation was signed into law on December 16, 1997. *See* No Electronic Theft (NET) Act, Pub. L. No. 105-147, 111 Stat. 2678 (1997). Moreover, House and Senate legislation designed to bring the United States into compliance with the 1996 WIPO treaties contains language which many academic libraries and institutions believe will further restrict fair use of copyrighted materials. See WIPO Copyright Treaties Implementation Act, H.R. 2281, 195th Cong. (1997); S. 2037, 105th Cong. (1997).

question of whether certain uses by faculty and students would be considered infringement.[148] In fact, with varied interpretations of the breadth and scope of fair use by and within the courts[149] and by legal analysts,[150] atleast one university counsel has suggested that even where use is deemed infringement, "plaintiffs are unlikely to get damage awards against nonprofit educational institutions that follow reasonable rules about fair use."[151] "Moreover, and especially in light of the initial Sixth Circuit ruling in Princeton, publishers and other owners of copyrighted information pursuing legal action also run the risk of having the court broaden the scope of fair use."[152]

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[148] *See Princeton Univ. Press v. Michigan Document Servs.*, No. 94- 1778, 1996 WL 54741 (6th Cir. Feb. 12), vacated, 74 F.3d 1528 (6th Cir.), *reh'g granted*, 99 F.3d 1381 (6th Cir. 1996). On initial appeal to the Sixth Circuit, before a three judge panel, the court noted, "in the context of this case, we find the undisputed fact that MDS can produce 'multiple copies for classroom use,' at a profit, for less than it would cost the professors or students to produce them to be significant." *Id.* at *7. "The publishers declined at oral argument to argue that the professors and students may not copy these excerpts and assemble them privately for their own educational purposes." *Id.* (emphasis added); *see supra* note 119-28 and accompanying text (discussing the *Princeton University Press* case in detail).

[149] *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994) (holding that the commercial nature of the rap group 2 Live Crew's parody of the song, "Oh, Pretty Woman," could be a fair use because the Court lacked evidence of the character and purpose of the use as well as the market harm, two of the four factors dictated by the 1976 Copyright Act in determining what constitutes fair use); *Princeton Univ. Press v. Michigan Document Servs., Inc.*, 99 F.3d 1381 (6th Cir. 1996) (ruling that the copyshop's preparation of coursepacks was not "fair use" because they profited from the sales of the works, they were substantial in nature, and they copied creative portions); *American Geophysical Union v. Texaco, Inc.*, 60 F.3d 913 (2d Cir. 1994) (finding that Texaco's unauthorized photocopying of copyrighted articles was not a "fair use" and thus violated the 1976 Copyright Act because the copying was commercial, substantial, and impacted market value of plaintiff's book); *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991) (finding that the multiple copies of coursebooks for student purchase was a violation of the 1976 Copyright Act and did not constitute a "fair use" of the work because Kinko's activity failed the first, third, and fourth factors of the fair use test).

[150] See Kenneth D. Crews, "Copyright Law and Information Policy Planning: Public Rights of Use in the 1990's and Beyond," 22 *J. Gov't Info*. 87, 90-96 (1995) (commenting on the everchanging nature of copyright law and the scope of fair use due to activity in both the courts and the Congress); Peter A. Jaszi, "Goodbye to All That -- A Reluctant (and Perhaps Premature) Adieu to a Constitutionally-Grounded Discourse of Public Interest in Copyright Law," 29 *Vand. J. of Transnat'l L*. 595 (1996) (advocating for the development of new, policy-grounded arguments and constitutionally based reasoning to battle expansionist legislative and judicial tendencies in copyright that loosen the reigns of public access to the "intellectual commons"); L. Ray Patterson, "Understanding Fair Use," 55 *Law & Contemp. Probs*. 249, 260-63 (1992) (discussing the causes of confusion in the interpretation of the meaning of the term 'fair use' and concluding that it stems from the various views concerning where the source of copyright derives from); Kenneth D. Crews, Not the "Last Word" on Photocopying and Coursepacks: The Sixth Circuit Rules Against Fair Use in the MDS Case (visited Nov. 20, 1998) <http://www.iupui.edu/it/copyinfo/mdscase.html> (criticizing the Sixth Circuit's decision in the MDS case, predicting that "it is likely to leave dissatisfied most critics, copyright scholars, educators... and even publishers").

As the economic stakes rise for publishers, due to greater accessibility to copyrighted materials provided by the Internet, will publishers continue their current posture of avoiding any legal conflict with academic institutions in this area? Some institutions are wary of establishing formal policies that extend beyond very narrow and conservative interpretations of copyright laws.[153] More liberal policies could require indemnification of employees adhering to such policies and risk institutional liability for those same policies.[154]

VII. Suggestions For Change

There are a number of options available to colleges, universities, and other academic institutions to address institutional and employee concerns about the use and reproduction of copyrighted works.[155] Risks are inherent in some or all of these options; however, it is clear that taking no position on these matters serve neither the interests of scholarly research nor academic teaching efforts.

Of initial, critical importance to each institution is guidance. There can be no criticism of misuses and abuses of copyrighted materials by academics if there is no guidance as to what is legal and permissible, what is illegal and impermissible, and/or what is subject to disagreement and interpretation and thus, attendant risk. Guidance will be most useful within the academic environment in the areas of use and ownership of copyrighted materials.

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[151] Georgia Harper, Copyright Law: What Should We Be Doing About It? (visited Nov. 20, 1998) <http:// www.utsystem.edu/OGC/IntellectualProperty/tasua.htm>.

[152] *Id.*

[153] *See* Vince Tortolano, "Fair Use," 35 *Santa Clara L. Rev.* 755, 760 (1994) (reviewing Kenneth D. Crews, *Copyright, Fair Use and the Challenge for Universities* (1993)).

[154] On December 5, 1997, the Indiana University Board of Trustees adopted the "Policy on Fair Use of Copyrighted Works for Education and Research," which specifically indemnified employees who adhere to Indiana University's copyright policy with respect to Fair Use. Indiana University Policy on Fair Use of Copyrighted Works for Education and Research (visited Nov. 20, 1998) <http:// www.iupui.edu/it/copyinfo/fupolicy.html>. The policy says in part:

> [I]t therefore is the policy of Indiana University to facilitate the exercise in good faith of full Fair-Use rights by faculty, librarians, and staff, in furtherance of their teaching, research and service activities. To that end, the University shall... defend and indemnify faculty, librarians, and staff in accordance with provisions of the Officers Liability Insurance resolution ....

Id.

[155] *See* Harper, *supra* note 151 (advising a four step program to provide more guidance to faculty, students, and staff about copyright law and directing academic institutions to develop a long-term permission strategy along with a comprehensive copyright policy).

A. Guidance

Academic institutions and their member organizations must develop clear policies to guide their employees in the use and reproduction of copyrighted materials.[156] Those policies must specifically focus on proper classroom, research, and other uses of copyrighted materials--either in print or electronic form--by academics in teaching, dissertations, theses, and other scholarly research, and with respect to use of on-campus copying centers.

Also of critical importance are training efforts. On-campus presentations and discussion groups in this subject area may be used to advise all relevant users of copyrighted information of the law and its parameters. Pamphlets are effective as quick guides for users of copyrighted material to assist in answering preliminary questions.

B. Use

The important issues attendant to use of copyrighted information to which academics must have access are both the bright-lines and safe harbors. The Agreement on Guidelines for Classroom Copying in Not-For-Profit Educational Institutions[157] was the initial effort to develop bright-lines and safe harbors.[158] The proposed guidelines emanating from the CONFU process represents another such effort.[159] While perhaps not safe harbors, the more liberal interpretations of the copyright laws (including the four-prong fair use test) arguably allow more liberal use, copying, and dissemination of copyrighted materials in the non-profit, education, and research environments, which if articulated clearly and effectively, can become bright lines for academics to follow. In this latter case, universities also must address and resolve the indemnification issues attendant to institutional policies which advocate or at least encourage a broader interpretation of fair use and copyright laws, permitting greater use and dissemination in classrooms, teaching, scholarship, and research.

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[156] *See* Indiana and Purdue University's Copyright Management Center (visited Nov. 20, 1998) <http://www.iupui.edu/it/copyinfo> (providing suggestions for ways in which to guide and assist employees and new on-line courses); *see* also University of Texas Crash Course in Copyright (visited Nov. 20, 1998) <http:// www.utsystem.edu/OGC/IntellectualProperty/cprtindx.htm#top> (consisting of a comprehensive analysis of fair use protocol including a plain english copyright policy for readers).

[157] *See* Sheldon Elliot Steinbach et al., *Agreement on Guidelines for Classroom Copying in Not-For-Profit Educational Institutions*, H.R. Rep. No. 94- 1476, at 70 (1976), reprinted in 1976 U.S.C.A.A.N. 5659, 5682 (discussing the evolution, content and purposes of the Classroom Guidelines).

[158] Certainly there is disagreement about whether "bright lines" should be the ultimate goal of academic institutions. *Conclusion Report*, *supra* note 26, at 5. While "institutionally" guidelines may create less risk, they may also serve to hinder and inhibit the teaching and research mission of colleges and universities. *Id.* at 5-6.

[159] *See supra* notes 28-30, 129-34 and accompanying text (identifying the three proposed guidelines in the areas of distance education, educational multimedia, and visual images-only the latter of which was deemed "workable").

Individual institutions may be unwilling to develop and approve internal policies and procedures which advocate or sanction a broader interpretation of the laws. Focus and support of collective efforts – legislative lobbying and otherwise, by groups representing academic institutions,[160] to enhance the use and dissemination of copyright information may be a necessary alternative.

C. Ownership

Where individuals (rather than institutions) own copyrighted material (a policy consideration), any guidance[161] must of necessity be recommendations rather than mandates. Therefore, to the extent that retaining ownership of copyrighted materials is more viable than transfer of that ownership to publishers (which is now most common), academic institutions cannot demand such an approach, but must encourage it. Thus education and discussion of the issues in a variety of venues on campus is important and will enable academic owners of copyrighted materials to understand and consider the proffered guidance and recommendations.

The University cannot and is not interested in assuming a regulatory role which serves to dictate the manner in which an employee, as the owner of a copyright interest, should handle those interests. The University's interest must, instead be in assisting employees, to the extent possible, in finding ways to manage their ownership interests; resulting in freer use, sharing and dissemination of copyrighted material.[162]

This does not, however, preclude a university from participating-- individually or as part of a collective – in dialogue and action that furthers both institutional and individual interests. One such effort would be negotiations for retention of rights for on-campus and inter-institutional use of course packets for campus delivery of articles, interlibrary borrowing and lending, and any AAU or other consortial sharing arrangements which exist or may be put into place during the effective period of any contractual agreement with publishers. In order to facilitate the sharing and dissemination of copyrighted works within and outside a university pursuant to the negotiated retention rights, a database listing these works along with permissions and restrictions associated with them could be established at the institution with the ultimate objective of connecting to a yet-to-be-developed national database.[163]

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[160] The Association of American Universities, Association of Reserve Libraries, and Committee on Institutional Cooperation, are among the leaders of these efforts.

[161] Such individuals may try tactics such as negotiating with publishers to retain copyright, and submitting material to non-traditional electronic and printed journals where publishers refuse such negotiations.

[162] Report of the Task Force on Copyright at the University of Iowa 8 (1995).

Another important issue for universities, colleges, and academic institutions to consider is identification and provision of university resources to facilitate different approaches to development and dissemination of scholarly materials. This could mean that the academic institution would provide the necessary resources for university presses, libraries, and information technology offices to collaborate in the exploration, development, and implementation of alternate forum to publish scholarly research in print and electronic media. This last issue will raise concerns about tenure and promotion that will require extensive dialogue among the affected groups and individuals before meaningful resolution can occur.

VIII. Conclusion

This discussion is not exhaustive in its consideration of the long and growing list of issues and continuing concerns about the fair use of copyrighted information by and within the academy. However, it should suggest that institutions must be proactive in approaching these issues, selfishly but necessarily limiting institutional liability and encouraging compliance with the laws while vigorously enabling and facilitating teaching, research, and scholarship to the maximum extent possible.

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[163] *Id.*

COURSEPACKS AND COPYRIGHT: FAIR USE IN *PRINCETON UNIVERSITY PRESS V. MICHIGAN DOCUMENT SERVICES**

INTRODUCTION

Coursepacks, which are bound collections of excerpts from works, articles and class materials, have become entrenched within the university curriculum. Because of the low cost, ease of construction, and flexibility they afford professors to fashion textual references around particular courses, coursepacks have invaded the halls of academia and filled the coffers of copyshops. These copyshops, generally for-profit corporations located near or at the universities, solicit and compile these coursepacks for professors. Despite these advantages, unless the copyshops acquire permission from the publishers or fall within the "fair use" exception,[1] the copyshops infringe the exclusive rights to the material as provided for under section 106 of the Copyright Act of 1976.[2]

The first case to address the issue of whether a copyshop's compilation of excerpts into coursepacks without paying permission fees was a fair use was *Basic Books, Inc. v. Kinko's Graphics Corp.*,[3] where the court found that Kinko's did not prove that its use was fair and therefore infringed the publishers' copyrights. The *Kinko's* decision became the status quo at universities: copyshops sought permission from the authors and publishers to use the excerpts and paid permission fees. This status quo was temporarily disturbed, however, when a panel of judges from the Sixth Circuit decided *Princeton University Press v. Michigan Document Services* ("*Princeton I*"),[4] where the court reversed the district court and held that Michigan Document Service's ("MDS's") compilation and sale of coursepacks without paying permission fees was a fair use. The decision in *Princeton I* was short lived, however, because the Sixth Circuit vacated the panel decision and reheard the case en banc, with a majority of the court affirming the district court's decision holding that MDS's compilation of copyrighted materials into coursepacks was not a fair use ("*Princeton II*").[5]

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* 99 F.3d 1381 (6th Cir. 1996).

[1] 17 U.S.C. § 107 (1994) contains the fair use exception, which seeks to advance the two goals of copyright law: encouraging the development of the arts and sciences, and granting the author exclusive rights.

[2] The Copyright Act of 1976, Pub. L. No. 94-553, § 106, 90 Stat. 2541, 2546 (1976) (codified as amended at 17 U.S.C. § 106 (1994)), provides the following:

> Subject to sections 107 through 120, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following: . . . to reproduce the copyrighted work in copies . . . [;] to prepare derivative works based upon the copyrighted work; . . . [and] to distribute copies . . . of the copyrighted work to the public by sale or other transfer of ownership. . . .

[3] 758 F. Supp. 1522, 1547 (S.D.N.Y. 1991).

[4] No. 94-1778, 1996 WL 54741 (6th Cir. Feb. 12, 1996) [hereinafter *Princeton I*], *vacated and reh'g granted en banc*, 74 F.3d 1528 (6th Cir. 1996), *aff'd in part, vacated in part, and remanded*, 99 F.3d 1381 (6th Cir. 1996) (affirming district court's finding that Michigan Document Service's use was not fair), *cert. denied*, 1997 WL 49751, 65 U.S.L.W. 3539 (U.S. Mar. 31, 1997). *See* Joseph R. Price, *Colleges and Universities as Internet Service Providers: Determining and Limiting Liability for Copyright Infringement*, 23 J.C. & U.L. 183, 218-20 (1996).

This case note will discuss *Princeton II* in relation to the overlaying copyright jurisprudence and will point out why the majority's result squares with the fair use statute, case law, and the twin purposes of the Copyright Act. Part I sets forth the historical background of copyright law. This includes a discussion of the purposes of copyright law, the Copyright Act and the fair use exception, the Classroom Guidelines, the *Kinko's* case, and three Supreme Court decisions that examine the fair use exception. Part II discusses the factual and procedural history of *Princeton I* and *II*. Part III and IV examine the decisions in *Princeton I* and *Princeton II*, respectively. Finally, Part V analyzes *Princeton II* and concludes that while the majority's analysis erred in its consideration of the Classroom Guidelines, it correctly weighed the factors against a finding of fair use.

I. HISTORICAL BACKGROUND OF THE FAIR USE EXCEPTION

A. The Fair Use Exception: Striking the Balance Between Copyright Law's Two Purposes

The fair use exception serves an important function in copyright law by striking a balance between its two purposes: promoting the development of the arts and sciences, and granting authors for a limited time exclusive rights to their writings.[6] While the purposes may appear to be consistent with each other, they are quite often at odds because of the "inherent tension in the need simultaneously to protect copyrighted material and to allow others to build upon it."[7] While granting authors rights to the use and proceeds of their works provides them an incentive to continue writing, the right must be limited so as to allow the free flow of information. The progress of science and the arts does not begin anew with each writer or scientist, but builds upon the ideas of existing works: "Each advance stands on building blocks fashioned by prior thinkers."[8] Copyright law's goal is to advance the arts and sciences without "excessively diminishing the incentives for creativity."[9] Courts have noted, however, that copyright law's primary purpose is not "to reward the labor of authors," but to benefit the public.[10] In striking a balance between these competing goals, courts have fashioned the fair use doctrine.[11]

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[5] Princeton Univ. Press v. Michigan Document Serv's, 99 F.3d 1381 (6th Cir. 1996) [hereinafter *Princeton II*].

[6] The Constitution, in granting Congress the power to legislate in this area, also stated copyright law's twin purposes: "[T]o promote the Progress of Science and useful arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. CONST. art. I, § 8, cl. 8. For a detailed discussion of the history and purposes of copyright law and the fair use exception, see Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105 (1990); W. PATRY, THE FAIR USE PRIVILEGE IN COPYRIGHT LAW 6-17 (1985).

[7] Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 575, 114 S. Ct. 1164, 1169 (1994).

Courts incorporated the fair use doctrine into copyright jurisprudence as an affirmative defense to claims of infringement because it allows them flexibility in balancing the competing goals. Rather than prescribing strict, bright-line rules as to whether a use infringes a copyright, the fair use doctrine allows courts to perform a balancing test to achieve an equitable solution. As Roscoe Pound stated, "In law some situations call for the product of hands, not of machines, for they involve not repetition, where the general elements are significant, but unique events. . . ."[12] Courts have the discretion to allow the public access to the author's copyrighted material in certain factual scenarios that further the goals of the copyright law.

When Congress codified the fair use exception in 17 U.S.C. § 107, it specifically preserved the flexible nature of this common law doctrine and did not "change, narrow, or enlarge it in any way."[13] In fact, the four enumerated factors are borrowed from Justice Story's formulation in *Folsom v. Marsh*,[14] and are not exclusive:

> Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work . . . for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any

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[8] Leval, *supra* note 6, at 1109 (footnote omitted). *See* Emerson v. Davies, 8 F. Cas. 615, 619 (No. 4,436) (C.C.D. Mass. 1845) ("Every book in literature, science and art, borrows, and must necessarily borrow, and use much which was well known and used before.").

[9] Leval, *supra* note 6, at 1110.

[10] Feist Publications, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 349, 111 S. Ct. 1282, 1289 (1991). *See* Williams & Wilkins Co. v. United States, 487 F.2d 1345, 1352 (Ct. Cl. 1973).

[11] *See* Jessica D. Litman, *Copyright, Compromise, and Legislative History*, 72 CORNELL L. REV. 857, 886 (1987)("In the earliest version of the [copyright] bill, the beleaguered fair use provision offered the sole means of tempering the expansive scope of the copyright owner's exclusive rights.") (citations omitted).

[12] ROSCOE POUND, AN INTRODUCTION TO THE PHILOSOPHY OF LAW 70-71 (1954).

[13] H.R. Rep. No. 1476, at 66, *reprinted in* 1976 U.S.C.C.A.N. at 5680.

[14] 9 F. Cas. 342, 348 (C.C.D. Mass. 1841) (No. 4,901) ("[L]ook to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects of the original work.").

> particular case is a fair use the factors to be considered shall include —
> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
> (2) the nature of the copyrighted work;
> (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
> (4) the effect of the use upon the potential market for or value of the copyrighted work.
> The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.[15]

Because of the broad generality of the factors, courts are afforded broad discretion in balancing them. None of the factors is dispositive,[16] and "[a]ll are to be . . . weighed together, in light of the purposes of copyright."[17] Thus, the fair use defense provides courts a flexible balancing test that attempts to further the competing goals of copyright law.

B. *Classroom Guidelines*

In addition to the four factors enumerated in section 107, courts may also consider the Classroom Guidelines ("the Guidelines").[18] While not officially part of the legislative history of section 107, the Guidelines embody the uneasy truce between authors and publishers on one side, and educational organizations on the other, as to what amount of classroom photocopying constitutes fair use.[19] When Congress was enacting the 1976 Copyright Act, it underwent an "anomalous legislative process" by organizing and paying for special interest groups to negotiate with each other over the various provisions.[20] These negotiations over the issue of the fair use doctrine, and the agreement reached between the publishers, authors and educational organizations became the language contained in section 107.[21] The Guidelines, while endorsed by the House and Senate Committees, were not made part of the legislative report concerning section 107.[22] Specifically, the Guidelines provide that professors may make multiple copies for their students of an excerpt not more than 1,000 words in length, provided "the inspiration and decision to use the work and the moment of its use for maximum teaching effectiveness are so close in time that it would be unreasonable to expect a timely reply to a request for permission."[23] Moreover, the Guidelines specifically forbid the use of excerpts to create "anthologies, compilations or collective works."[24] While not binding authority, the Guidelines provide courts with a "reasonable interpretation of the minimum standards of fair use."[25]

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[15] 17 U.S.C. § 107.

[16] Although case law has dictated that the last factor is the most important, Harper & Row v. Nation Enter's, 471 U.S. 539, 566, 105 S. Ct. 2218, 2233 (1985) ("This last factor is undoubtedly the single most important element of fair use."), the Supreme Court recently mandated that all four factors be given equal weight. *See* Campbell v. Acuff-Rose Music Inc., 510 U.S. 569, 591-93, 114 S. Ct. 1164, 1178 (1994). *But see* 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.05[B][3] (1996 ed.) ("Although the Court's most recent opinion in *Campbell* repels any categorical reliance on the fourth fair use factor, as with all the other, its inquiry into the derivative market for plaintiff's work occupied by defendant's usage . . . amply warrants the conclusion that this test continues to materially inform the fair use analysis.")(citations omitted). In addition, Nimmer argues that the Court remanded the case solely on the basis of the fourth factor because the other three pointed towards fair use. *Id.*

[17] *Campbell*, 510 U.S. at 578, 114 S. Ct. at 1171.

[18] H.R. Rep. No. 1476, at 68-70, *reprinted in* 1976 U.S.C.C.A.N. at 5681-5683.

[19] *See* Litman, *supra* note 11, at 887 ("The parties agreed to insert words here and there, in . . . the House Committee Report, that appeared to stretch the fair use privilege enough to offer educators some minimal certainty.").

C. *Coursepacks and Copyright:* Basic Books, Inc. v. Kinko's Graphics Corp.

The seminal case addressing whether a for-profit corporation's compilation and selling of coursepacks infringes the publishers' copyrights is *Basic Books, Inc. v. Kinko's Graphics Corp.*,[26] where the district court held that the compilation and sale of coursepacks was not a fair use and therefore infringed the publishers' copyrights.[27] Kinko's Graphics Corporation, a copyshop, actively solicited professors to compile coursepacks for their courses.[28] Without paying permission fees, Kinko's duplicated copyrighted materials, compiled them into coursepacks, and sold them directly to the students.[29] Five professors at New York universities placed orders with two of Kinko's stores for the compilation of five coursepacks.[30] These coursepacks contained excerpts from twelve of the publishers' copyrighted materials.[31] The publishers brought a copyright infringement action against Kinko's, which contended that its compilation and sale of coursepacks was a "fair use" under section 107 of the Copyright Act.[32]

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[20] *Id.* at 862. Professor Litman noted that Congress generally does not create and pay for third-party negotiations.

[21] *See* H.R. Rep. No. 1476, at 66, *reprinted in* 1976 U.S.C.C.A.N. at 5679 ("The specific wording of section 107 as it now stands is the result of a process of accretion, resulting from the long controversy over the related problems of fair use and the reproduction of . . . copyrighted material . . . ."); Litman, *supra* note 11, at 877.

[22] *See* H.R. Rep. No. 1476, at 5681, *reprinted in* 1976 U.S.C.C.A.N. at 5681. Professor Litman, discussing the House Report containing the Guidelines, noted that the report "abounds with evidence of partial compromise and incompletely resolved disputes." Litman, *supra* note 11, at 904 n.133.

[23] H.R. Rep. No. 1476, at 68-69, *reprinted in* 1976 U.S.C.C.A.N. at 5682. In addition to the requirements of brevity and spontaneity, the Guidelines require that the professor not make more than two multiple copies of an excerpt and make no more than nine multiple copies per course per semester. *Id.* at 69, *reprinted in* 1976 U.S.C.C.A.N. at 5683.

[24] *Id.* at 69, *reprinted in* 1976 U.S.C.C.A.N. at 5683.

[25] *Id.* at 72, *reprinted in* 1976 U.S.C.C.A.N. at 5686. *See also* NIMMER, *supra* note 16, at § 13.05[E][3][a].

[26] 758 F. Supp. 1522 (S.D.N.Y. 1991).

[27] *Id.* at 1526.

[28] *Id.* at 1528-29. Kinko's sent professors brochures advertising their coursepack services and, although not paying any monetary compensation, offered discounts and other incentives. *Id.* at 1528-29, 1532.

After balancing the four fair use factors along with the additional considerations and applying the Classroom Guidelines, the district court found that the use was not fair and held that Kinko's infringed the publishers' copyrights.[33] With respect to the four factors, the court found that the first, third and fourth weighed against Kinko's.[34] Specifically, the court characterized the compilation of the coursepacks as "repackaging" copyrighted materials and their sale as commercial. The court also found that the excerpts copied from the books were substantial,[35] and determined that Kinko's nationwide sale of coursepacks would replace the market for the copyrighted materials and deny the publishers a significant amount of permission fees.[36]

The court also placed into the fair use calculus two additional considerations that weighed against Kinko's: (1) The nationwide scope of Kinko's sale of coursepacks, and (2) the Classroom Guidelines' prohibition of anthologies.[37] The first consideration, the nationwide scope of the sales, weighed against fair use because the "vastness and transitory nature of its business" has made it "difficult for plaintiffs to challenge defendant."[38] This nationwide industry, the court stated, "cannot be sustained by this court as its result is complete frustration of the intent of the copyright law."[39] Second, the court addressed the Guidelines and determined that even if Kinko's commercial copying was considered to be an educational use, its use exceeded the Guidelines' quantitative limitations.[40] Moreover, the court reiterated that the Guidelines specifically prohibit the construction of anthologies.[41] Thus, the court concluded that the construction and sale of coursepacks was not a fair use under 17 U.S.C. section 107, and that Kinko's infringed the publishers' copyrights.

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[29] *Id.* at 1526.

[30] *Id.*

[31] *Id.* at 1526-28. The excerpts ranged in length from 14 pages (8-11%) to 110 pages (25-28%). *Id.*

[32] *Id.* at 1526. Kinko's three other defenses—that the publishers misused their copyright, that they were estopped from asserting their copyright because of prior knowledge of the copying, and that their failure to record the copyright denied the court jurisdiction—were rejected by the district court. *Id.* at 1526, 1537-40. Since this case comment focuses on the fair use exception, the other defenses will not be discussed.

[33] *Id.* at 1530-37, 1547.

[34] The court found the second factor—the nature of the copyrighted work—in favor of Kinko's because it characterized the works as factual rather than as fictional. *Id.* at 1532-33. Copyright law protects fictional works to a greater extent than factual, but this alone is not dispositive. *Id.*

[35] The excerpts contained between 5% and 22-24% of the total works. *Id.* at 1527-28.

[36] *Id.* at 1530-34.

[37] *Id.* at 1534-35.

[38] *Id.* at 1534.

[39] *Id.*

D. *Supreme Court Decisions Examining the Fair Use Exception*

Although not specifically addressing coursepacks, the Supreme Court, in 1984, 1985 and 1994, decided three landmark cases concerning the fair use exception.[42] These cases are significant because they provide guidance for analyzing and weighing the four fair use factors. However, despite the Court's efforts to define the parameters of the fair use test, it has not provided any bright line rules. Fair use should be analyzed on a case-by-case basis, considering all the facts in light of the two purposes of copyright law.

1. *Sony Corp. of America v. Universal City Studios, Inc.*

In *Sony Corp. of America v. Universal City Studios, Inc.*,[43] the Court addressed the issue of whether Sony's sale of video tape recorders ("VTRs") infringed the copyrights of television program owners. Universal City Studios and Walt Disney Productions alleged that Sony's sale of VTRs allowed consumers to copy programs and to infringe their copyrights,[44] and they sought damages and an injunction against the manufacturing and marketing of the VTRs.[45] The district court denied the claims, concluding that the consumer's noncommercial copying of programs for private purposes was a fair use.[46] The Ninth Circuit, however, reversed the district court, finding that the consumers' use of the VTRs was not "productive," that the large-scale use of the copyrighted programs would negatively affect the potential market, and that the consumer's copying was therefore not a fair use.[47]

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[40] *Id.* at 1535-37. The court distinguished the defendant's compilation and sale of coursepacks from library copying, which has been found to be a fair use. *Id.* at 1536.

[41] *Id.* at 1537.

[42] Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 104 S. Ct. 774 (1984); Harper & Row Publishers, Inc. v. Nation Enter's, 471 U.S. 539, 105 S. Ct. 2218 (1985); Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 114 S. Ct. 1164 (1994). *See generally* NIMMER, *supra* note 16, at § 13.05.

[43] 464 U.S. 417, 104 S. Ct. 774 (1984).

[44] At trial, both Sony and the producers introduced evidence indicating that the consumers used the VTR primarily for "time-shifting," or recording a program so as to view it at a more convenient time. The evidence also indicated that some consumers built home libraries of videotapes, but many re-recorded over the tapes. *Id.* at 423-24, 104 S. Ct. at 779.

[45] *Id.* at 420, 104 S. Ct. at 777.

[46] *Id.* at 425, 104 S. Ct. at 780.

[47] *Id.* at 427, 104 S. Ct. at 781.

In a five-to-four decision, the Supreme Court reversed the Ninth Circuit, holding that the consumers' recording of the programs was a fair use, and that Sony did not therefore infringe the production companies' copyrights.[48] The Court considered the four factors enumerated in section 107, primarily factors one and four,[49] and found that although the consumers copied substantial portions of the copyrighted programs,[50] the production companies failed to carry their burden of proof in establishing that the noncommercial, private use would cause future harm to the potential market.[51] Thus, the Court weighed the factors in favor of fair use and held that Sony was not liable for copyright infringement.

2. *Harper & Row Publishers, Inc. v. Nation Enterprises*

One year after the Court decided the *Sony* case, it again dealt with the fair use doctrine in *Harper & Row Publishers, Inc. v. Nation Enterprises*,[52] where *Nation* magazine and the Nation Associates acquired an unpublished manuscript of "A Time to Heal: The Autobiography of Gerald R. Ford," from an undisclosed source.[53] Without seeking permission, Nation ran an article containing excerpts from the manuscript with the intention of scooping a similar article scheduled to be printed by *Time* magazine.[54] *Time* magazine, however, had agreed to buy from the publishers exclusive rights to print excerpts of the book before it was officially published.[55] After the article appeared in

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[48] *Id.* at 454-56, 104 S. Ct. at 795-96.

[49] The Court only briefly discussed the second factor, the nature of copyrighted work, and found that the consumers' copying of the programs onto videotapes weighed in favor of fair use. *Id.* at 449, 104 S. Ct. at 792. In more recent decisions, courts, when examining this factor, have looked at whether the copyrighted work is factual or expressive. *See* Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 586, 114 S. Ct. 1164, 1175 (1994); NIMMER, *supra* note 16, at § 13.05[A][2][a]. *See also infra* note 63.

[50] *Sony*, 464 U.S. at 449, 104 S. Ct. at 792. 17 U.S.C. § 107(3) contains the factor regarding the substantiality of the copyrighted work.

[51] *Sony*, 464 U.S. at 451, 104 S. Ct. at 793. For determining whether the fourth factor weighed against fair use, the Court established the following standard for shifting the burden of proof:

> [A]lthough every commercial use of copyrighted material is presumptively an unfair exploitation . . . [, a] challenge to a noncommercial use of a copyrighted work requires proof that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work. . . . What is necessary is a showing by a preponderance of the evidence that some meaningful likelihood of future harm exists. If the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated.

Id.

[52] 471 U.S. 539, 105 S. Ct. 2218 (1985).

[53] *Id.* at 542-43, 105 S. Ct. at 2221.

[54] *Id.* at 542, 105 S. Ct. at 2221. In the short, 2,250-word article, Nation copied 300 words from the manuscript. *Id.* at 545, 105 S. Ct. at 2223.

[55] *Id.* at 542-43, 105 S. Ct. at 2221.

The Nation, *Time* cancelled its agreement with the publishers.[56] Consequently, the publishers brought an action against Nation, alleging, among other claims, copyright infringement.[57]

While the district court held that *The Nation*'s unauthorized printing of excerpts containing "the heart" of the unpublished autobiography was not a fair use and infringed the publishers' copyright,[58] the Second Circuit disagreed. Reversing the district court, the Second Circuit found that the news purpose of the article, the factual nature of the unpublished autobiography, the lack of substantiality of the copied excerpts in relation to the entire work, and the minimal impact on the market all weighed in favor of fair use.[59]

In a six-to-three decision, the Supreme Court reversed, holding that the printing of excerpts from the unpublished manuscript was not a fair use and therefore infringed the publishers' copyright.[60] Stating that the fair use inquiry is a "mixed question of law and fact,"[61] the Court reexamined the factors enumerated in section 107 and reached a different result than the court of appeals for each. The Court found that the purpose of the article was for commercial rather than news reporting;[62] that the nature of the copyrighted work was expressive rather than simply factual;[63] that the article interfered with the publishers' rights to keep the work unpublished and confidential;[64] that the amount of the excerpted material, while small, was substantial because of its "expressive value" and its "key role" in the article;[65] and that *The Nation's* article directly competed with and superseded the publishers' market share for prepublication excerpts.[66] Thus, the Court found that the four factors, evaluated in light of copyright law's two purposes, indicated that the unauthorized printing of excerpts from the unpublished manuscript was not a fair use.

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[56] *Id.* at 543, 105 S. Ct. at 2221.

[57] *Id.* at 543, 105 S. Ct. at 2222.

[58] Harper & Row Publishers, Inc. v. Nation Enter's, 501 F. Supp. 848 (S.D.N.Y. 1980).

[59] Harper & Row Publishers, Inc. v. Nation Enter's, 723 F.2d 195 (2d Cir. 1983).

[60] 471 U.S. at 569, 105 S. Ct. at 2235.

[61] *Id.* at 560, 105 S. Ct. at 2230.

[62] The Court rejected Nation's argument that since the article was news, the purpose was not commercial. Rather, the Court stated that the "crux of the profit/nonprofit distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price." *Id.* at 562, 105 S. Ct. at 2231.

[63] *Id.* at 563-64; 105 S. Ct. at 2232 ("The law generally recognizes a greater need to disseminate factual rather than works of fiction or fantasy."). *See* National Rifle Assoc. of Am. v. Handgun Control Federation of Ohio, 15 F.3d 559, 561 (6th Cir. 1994) (finding one factor in favor of fair use because the information copied consisted only of a list of factual information). Although dealing with the issue of whether a work is copyrightable, the following cases provide a good discussion of the fact/expression dichotomy: Feist Publications, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 361-63, 111 S. Ct. 1282, 1296 (1991); Los Angeles News Serv. v. Tullo, 973 F. 2d 791, 795-96 (9th Cir. 1992) ("Copyright law incorporates First Amendment goals by ensuring that copyright protection extends only to the forms in which ideas and information are expressed and not to the ideas and information themselves."); Association of Am. Med. Colleges v. Mikaelian, 571 F. Supp. 144, 150 (E.D. Pa. 1983) (discussing whether MCAT questions were facts not capable of being copyrighted). *See also* NIMMER, *supra* note 16, at § 13.01.

[64] 471 U.S. at 563-64, 105 S. Ct. at 2232. This analysis went to the second fair use factor: the nature of the copyrighted work. As it had done for the first fair use factor, the Court again distinguished between factual news and an "unpublished historical narrative or autobiography." *Id.* at 563, 105 S. Ct. at 2232. The Court placed great

3. *Campbell v. Acuff-Rose Music*

The third Supreme Court decision examining the fair use defense was *Campbell v. Acuff-Rose Music, Inc.*,[67] where the fair use issue arose when members of the rap group 2 Live Crew recorded a parody of Roy Orbison's "Oh, Pretty Woman." Before releasing the song, they first sought permission from Acuff-Rose Music ("ARM") and offered to pay the permission fees.[68] Despite their failure to obtain permission to parody the song, 2 Live Crew released it on their album.[69] ARM brought a copyright infringement action against 2 Live Crew in the United States District Court for the Middle District of Tennessee.[70]

Granting 2 Live Crew's motion for summary judgment, the district court found that even though the song was commercial in nature, it still constituted a fair use.[71] The Sixth Circuit, however, reversed,

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importance on the unpublished nature of the work: "The fact that a work is unpublished is a critical element of its 'nature.'" *Id.* at 564, 105 S. Ct. at 2232 (citations omitted). Before the work was published, the publishers had a right to confidentiality. Nation's interception of the purloined manuscript interfered with this confidentiality, and therefore weighed against fair use.

[65] *Id.* at 566, 105 S. Ct. at 2233. The Court found the third factor, amount and substantiality of the portion used, against fair use because the excerpted portions contained "'the most interesting and moving parts of the entire manuscript.'" *Id.* at 565, 105 S. Ct. at 2233 (citations omitted).

[66] *Id.* at 566-69, 105 S. Ct. at 2233-35. For the fourth factor, the effect on the market for both the original and derivative works, which the Court labeled the "most important element," it placed the burden of proof on the holder of the copyright to show with a "reasonable probability the existence of a causal connection between the infringement and a loss of revenue." *Id.* at 567, 105 S. Ct. at 2234. Once this burden is met, it then "shifts to the infringer to show that this damage would have occurred had there been no taking of copyrighted expression." *Id.* (citations omitted). The Court found that the petitioners met their burden and that the respondents failed to meet theirs. Absent from the Court's discussion of the fourth factor is the *Sony* Court's language that if a use is commercial, the "likelihood [of future harm to the market] may be presumed." *Sony*, 464 U.S. at 451, 104 S. Ct. at 793.

[67] 510 U.S. 569, 114 S. Ct. 1164 (1994).

[68] *Id.* at 577, 114 S. Ct. at 1168.

[69] *Id.*

[70] Acuff-Rose Music, Inc. v. Campbell, 754 F. Supp. 1150 (M.D. Tenn. 1991).

[71] The district court, in weighing the fair use factors, found that 2 Live Crew used only as much as they needed to parody the original, and that it was "extremely unlikely that 2 Live Crew's song could adversely affect the market for the original." *Id.* at 1154-55.

finding that the "blatantly commercial purpose . . . prevents this parody from being a fair use."[72]

In a unanimous decision, the Supreme Court reversed and remanded to the district court, holding that the Sixth Circuit erred in finding that 2 Live Crew's parody was not a fair use.[73] The Court reexamined the four fair use factors enumerated in 17 U.S.C. section 107, and found that the Sixth Circuit had improperly emphasized the commercial nature of the parody.[74] Specifically, the Court found that the Sixth Circuit elevated the presumption, "ostensibly culled" from *Sony*, that a commercial use is presumptively unfair to a "per-se rule." As the Court noted, while this presumption is rational under *Sony's* facts,[75] under the facts in this case this bright-line rule conflicts with the flexible, case-by-case analysis that 17 U.S.C. section 107 requires.[76] Therefore, the Court rejected the Sixth Circuit's dispositive treatment of the commercial purpose of the parody and remanded the case for further fact findings as to 2 Live Crew's use on the derivative market.

II. *Princeton University Press v. Michigan Document Services*

A. *Factual Background*

Michigan Document Services ("MDS"), a for-profit corporation held by its sole shareholder James M. Smith, provides photocopying services to fourteen universities, including the University of Michigan at Ann Arbor.[77] In addition to photocopying services, MDS also constructs and sells coursepacks to the students at the universities.[78] Professors generally use coursepacks when they are unable to locate a suitable anthology that contains excerpts from an assortment of books, and when they believe it impracticable to ask students to purchase each book in that assortment. In fact, when the professors deliver the materials containing the excerpts to MDS, they must sign a declaration stating that they would not have requested the coursepack if they would have required the class to read the entire text. The professors do not receive any compensation for using MDS's services.[79] Without seeking permission or paying royalties to the publishers of the works containing the excerpts, MDS photocopies the material, binds it in a coursepack, and sells it at a profit directly to the students.[80] Although MDS did not keep any records of its sales, it admitted that in 1991 it sold 25,000 coursepacks for roughly 700 classes.[81] Moreover, MDS estimated that it photocopies excerpts from 10,000 to 15,000 copyrighted works each semester.[82] Thus, MDS operates a lucrative business in selling anthologies of excerpts from copyrighted works without paying the permission fees, thereby gaining a competitive edge on its competitors.[83]

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[72] 972 F.2d 1429, 1439 (6th Cir. 1992). The Sixth Circuit criticized the district court for placing too little emphasis on the commercial nature of the parody when considering the first and fourth factors. *Id.* at 1437. With respect to these factors, the Sixth Circuit concluded that the commercial nature of the parody invoked the presumption of market harm and against fair use. *Id.* at 1437-39. Judge Nelson vigorously dissented, arguing that the factors, especially the fourth, weighed in favor of fair use. *Id.* at 1443-46 (Nelson, J., dissenting).

[73] *Campbell*, 510 U.S. at 594, 114 S. Ct. at 1179.

[74] *Id.* at 590-91, 114 S. Ct. at 1173-74, 1177-78.

[75] The consumers copied television programs in their entirety. If it had been for commercial purposes, then, applying the factors in 17 U.S.C. § 107, the use would presumptively not be fair. But since the use had been for noncommercial purposes, that presumption would not be as readily apparent and must be shown.

[76] 510 U.S. at 591-92, 114 S. Ct. at 1177-78.

[77] Princeton Univ. Press v. Michigan Document Serv's, 855 F. Supp. 905, 907 (E.D. Mich. 1994). Michigan Document Services and Mr. Smith will be referred to collectively as "MDS".

[78] *Id.*

Three publishers, Princeton University Press, MacMillan, Inc., and St. Martin's Press, brought an action against MDS when the Ann Arbor store constructed three coursepacks containing the publishers' copyrighted material.[84] The coursepacks, created for three University of Michigan professors, consisted of excerpts ranging from ninety-five pages, or thirty percent of the total work, to seventeen pages, or five percent.[85]

B. *Procedural History and Holdings*

The publishers filed suit against MDS in the United States District Court for the Eastern District of Michigan, alleging copyright infringement, and asking for injunctive relief, statutory damages and reasonable attorney fees.[86] The sole issue in dispute was whether MDS's photocopying and selling of excerpts constituted a fair use and therefore an affirmative defense. After the magistrate judge made findings of fact, both the publishers and MDS filed cross-motions for summary judgment.[87] The publishers claimed that the use did not fall within the fair use exception, because it was for commercial purposes, did not transform the copyrighted material in any way, copied substantial portions of the work, and superseded the market for the original books.[88] Although admitting that the other copyshops paid permission fees in compiling the coursepacks, that other universities notified it that it should pay permission fees, and that by not paying the fees it had a competitive advantage. MDS denounced the *Kinko's* decision and contended that it fell within the fair use exception.[89] In support of their fair use defense, MDS asserted that because it stood in the "shoes" of the students, its use was for educational purposes.[90]

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[79] *Id.*

[80] *Id.* MDS sells the coursepacks only to students enrolled in the classes and not to the public. In addition, the professors do not require that the students purchase the coursepacks; they have the option to either personally copy the materials from another source or purchase the original materials in their entirety.

[81] *Id.*

[82] *Id.* at 908.

[83] *Id.*

[84] *Id.* at 907.

[85] Princeton I, 1996 WL 54741, at *1.

[86] 855 F. Supp. at 908.

[87] *Id.* at 906-07.

[88] *Id.* at 909-11.

Accepting the magistrate judge's findings of fact, the district court weighed the four factors contained in section 107 and decided that all weighed against MDS.[91] Although none of the factors alone are dispositive, a crucial determination in both the first and fourth factors is whether the use is commercial and for profit. Citing *Kinko's*, the court rejected MDS's contention that they stood in the shoes of their students and that the use was therefore for educational purposes.[92] Rather, the court found that the activity of compiling and selling coursepacks, like that in *Kinko's*, was for profit and commercial.[93] Therefore, considering and balancing the other factors, the court held that MDS's activity did not constitute a fair use, granted summary judgment in favor of the publishers, found that MDS willfully infringed the publishers' copyrights, and awarded the publishers their requested remedy.[94]

MDS then appealed to the Sixth Circuit, claiming that the district court erred in denying their fair use defense and granting the publishers summary judgment.[95] In a two-to-one decision written by Judge Ryan, the panel reversed.[96] Reviewing the district court's grant of summary judgment de novo, the court re-examined the fair use factors and an additional consideration — the author's non-economic incentives to write — and decided that they weighed in favor of fair use.[97]

The panel's decision did not stand for long, however, as the Sixth Circuit vacated the decision and reheard the case en banc.[98] In a decision containing three separate dissents, Judge Nelson, writing for the majority, found that MDS's use was not fair, affirmed the trial court's grant of summary judgment in favor of the publishers, and remanded the case for reconsideration of damages and the scope of the injunction.[99]

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[89] *Id* at 908. MDS "concluded that the Kinko's case had been wrongly decided, and he publicized this conclusion through speeches, writings, and advertisements." *Princeton II*, 99 F.3d at 1384.

[90] 855 F. Supp. at 908.

[91] *Id.* at 911.

[92] *Id.* at 909-10.

[93] *Id.* ('"The crux of the profit/non-profit distinction is not whether the sole motive is monetary gain but whether the user stands to profit from the exploitation of the copyrighted material without paying the customary price.'")(quoting *Harper & Row*, 471 U.S. at 562, 105 S. Ct. at 2231).

[94] *Id.* at 913. The court enjoined the defendants from copying the publishers' copyrighted works and awarded them statutory damages and costs. *Id.* at 911-13, as well as attorney fees and out-of-pocket expenses totaling $326,318.52. Princeton Univ. Press v. Michigan Document Serv's, 869 F. Supp. 521 (E.D. Mich. 1994).

[95] *Princeton I*, 1996 WL 54741, at *1.

[96] *Id.* at *12.

[97] *Id.* at *6-12.

[98] 74 F.3d 1528 (6th Cir. 1996).

III. *PRINCETON I*

In *Princeton I*, Judge Ryan, writing for the majority of the Sixth Circuit panel,[100] reversed the district court's grant of summary judgment in favor of the publishers and found that MDS's compilation and sale of coursepacks was entitled to a fair use defense to the publisher's claims of copyright infringement. In reaching its decision, the panel did not apply the Classroom Guidelines to its analysis of the four fair use factors. Stating that the four factors are "unambiguous" and that Congress chose not to codify the Guidelines, the majority instead focused on the text of 17 U.S.C. § 107.[101]

With respect to the first fair use factor, the purpose and character of the use, the majority divided the analysis into two parts: "(1) the degree to which the challenged use has transformed the original, and (2) the profit or nonprofit character of the use."[102] For the first part, the majority noted that works that "merely copy the original are likely to be found to be infringements of the copyrighted work."[103] However, the majority cited dictum from a footnote in the *Campbell* case for the proposition that multiple copies for classroom purposes are an exception to the "'focus on transformative uses.'"[104] Because the majority classified the coursepacks as being "multiple copies for classroom use," it found that the coursepacks fell within the exception and weighed in favor of fair use.[105]

For the second part of the first factor, the profit or non-profit character of the use, the majority inquired into whether the use was either commercial, or nonprofit and educational. Specifically, the inquiry is whether the "user stands to profit from the exploitation of the copyrighted materials without paying the customary price."[106] In performing the inquiry, the majority examined the coursepack's use at two levels: "One 'use,' MDS's production and sale of the coursepacks, is clearly a for-profit 'use,' and one, the students' use of the coursepacks in the classroom, is entirely non-profit and educational."[107] Rejecting the publishers' contention that only the first use, that of the copying and selling of the coursepacks, be used, the majority stated that the "copying in this case is not a use unto itself: it is the mechanical component of the process that makes the material available for classroom use."[108] The majority then emphasized that the students and professors would have been entitled to photocopy the materials themselves, that MDS was able to photocopy the materials more efficiently and cheaply than the professors and students, that the professors would not have required the students to read the entire book, and that "monetary compensation is a secondary consideration for authors" in the academic field.[109] The majority therefore concluded that the use was nonprofit and educational rather than commercial.[110] In sum, the majority found that since the "coursepacks fit within the exception to the 'transformative' quality requirement," and that the use was nonprofit and educational, the first factor weighed in favor of fair use.[111]

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[99] *Princeton II*, 99 F.3d at 1393. Since the focus of this note is on MDS's fair use defense, the Sixth Circuit's discussion in *Princeton I* and *II* of damages and the injunction is omitted.

[100] Judge McKay, visiting from the Tenth Circuit and sitting by designation, concurred with Judge Ryan's opinion. Judge Nelson dissented, disagreeing with the majority's finding that MDS's use was fair.

[101] *Princeton I*, 1996 WL 54741, at *6.

[102] *Id.* at *6.

[103] *Id.*

[104] *Id.* (quoting *Campbell*, 510 U.S. at 759, 114 S. Ct. at 1171 n.11).

[105] *Id.* at *6.

[106] *Harper & Row*, 471 U.S. at 562, 105 S. Ct. at 2231-32.

For the second factor, the nature of the copyrighted work, the majority considered whether the publishers' excerpts were of a kind protected by the copyright law. This involved determining the creativity of the excerpts and placing them on a spectrum, with fiction on one end and factual compilations and lists at the other. Since works of non-fiction are closer to "'the core of intended copyright protection"' than factual compilations and lists, those works receive greater copyright protection.[112] Finding that the publishers' copyrighted excerpts were "substantially creative" and were closer to non-fiction than "raw data" or factual lists, the majority weighed this factor against a finding of fair use.[113]

Regarding the third factor, the amount and substantiality of the portion used, the majority inquired into "whether the quantity and value of the materials used were reasonable in relation to the purposes of the copying;" whether the excerpts were "'composed primarily of [the] original . . . with little or nothing added or changed,"' and whether the excerpt "'fulfill[ed] demand for the original.'"[114] Finding that the coursepacks did not supersede the market, the majority emphasized that the professors would not have assigned the works to their students if they were unable to use the excerpts in the coursepacks and that even the longest excerpt, thirty percent of the original, did not contain the heart of the work.[115] Therefore, the majority concluded that since the amount of the excerpted material in the coursepacks was not substantial, the third factor weighed in favor of fair use.

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[107] *Princeton I*, 1996 WL 54741, at *7.

[108] *Id.*

[109] *Id.* at *7-11.

[110] *Id.* at *7.

[111] *Id.* at *8.

[112] *Id.*(quoting *Campbell*, 510 U.S. at 586, 114 S. Ct. at 1175).

[113] *Princeton I*, 1996 WL 54741, at *8.

[114] *Id.* (quoting *Campbell*, 510 U.S. at 587-88, 114 S. Ct. at 1175-76).

[115] *Princeton I*, 1996 WL 54741, at *9.

Labeling the fourth factor the "single most important element of fair use,"[116] the court determined whether the coursepacks harmed the market for the original and derivative works and whether "'unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market for the original.'"[117] Because the majority found that the record contained no evidence showing that the coursepacks harmed the works' market, it hinged its "resolution" of this factor on the assignment of the burden of proof.[118] The majority followed the *Sony* Court[119] and required the party seeking the copyright infringement to carry the burden of proof as to market harm.[120] To meet their burden of proof, the publishers were required to show by a preponderance of the evidence that "'some meaningful likelihood of future harm exists.'"[121] Since the majority had previously determined that MDS's use of the coursepacks was nonprofit and educational, it would not presume the likelihood of harm.[122] Therefore, the publishers were required to show this likelihood.

Carrying the burden of proof, the publishers failed to establish by a preponderance of the evidence the likelihood of market harm. The majority rejected the publishers' claim that the coursepacks harmed their market for permission fees; it viewed this as a circular argument because it had not yet decided whether the publishers were entitled to the fees.[123] In addition, the court found that the coursepacks did not supersede the original and derivative markets because the professors would not have assigned the works to the students if they were unable to obtain the coursepacks. Moreover, the majority stated that if the coursepacks affected the market, they would probably enhance "the prospect that the original works might later be of interest to the students."[124] Therefore, the court concluded that the publishers failed to carry their burden of proof and weighed the fourth factor for fair use.

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[116] *Id.* (citing *Harper & Row*, 471 U.S. at 566, 105 S. Ct. at 2223-24). As discussed in part II(D)(2), the Supreme Court in *Campbell*, 510 U.S. at 590, 114 S. Ct. at 1177, chose not to raise this factor above the others.

[117] *Princeton I*, 1996 WL 54741, at *9 (quoting *Campbell*, 510 U.S. at 590, 114 S. Ct. at 1177).

[118] *Id.* at *10.

[119] *Sony*, 464 U.S. at 451, 104 S. Ct. at 793.

[120] *Princeton I*, 1996 WL 54741, at *10.

[121] *Id.* (quoting *Sony*, 464 U.S. at 451, 104 S. Ct. at 793).

[122] Although the characterization of the activity does not change the amount of market harm that actually occurred, courts will not presume the harm when considering the fourth fair use factor. This is so because a nonprofit and educational use furthers one of the twin goals of copyright law; it is more likely to advance the arts and sciences than a commercial use. Courts are therefore more likely to "tolerate" some degree of market harm.

[123] *Princeton I*, 1996 WL 54741, at *11.

[124] *Id.*

Before weighing all the factors together, the court considered a factor not enumerated in 17 U.S.C. § 107: the writers' emphasis on non-economic reasons for writing. Over one hundred authors declared that their primary reasons for writing were professional and personal rather than monetary.[125] Since money was not their prime concern and they advocated the use of coursepacks, the court found that this undercut the publishers' argument for permission fees. The court thus found that allowing the defendants to compile and sell coursepacks would advance the arts and sciences and provide the authors with incentives to create new works, and that this additional factor weighed in favor of fair use.[126]

Weighing all the factors together (with none being dispositive), the majority held that MDS was entitled to a fair use defense to the publishers' claims of copyright infringement. Therefore, the majority reversed the district court's grant of summary judgment in favor of the publishers and instead granted summary judgment in favor of MDS.

In dissent, Judge Nelson characterized MDS's use of the excerpts as commercial, affecting the first and fourth factors.[127] He found that the publishers' loss of permission fees established harm to original and potential derivative markets[128] and applied the Classroom Guidelines to his analysis of the third fair use factor.[129] Judge Nelson also disagreed with the majority's assertion that the authors did not write primarily for money.[130] In sum, Judge Nelson agreed with the district court in finding that MDS was not entitled to the fair use defense.

IV. *PRINCETON II*

The panel decision in *Princeton I*, which rejected the outcome reached in the *Kinko's* case, stood for only a short period of time. A majority of the Sixth Circuit voted to vacate the panel decision and rehear the case en banc.[131] In an eight-to-five decision written by Judge Nelson, the Sixth Circuit affirmed the trial court's grant of summary judgment in favor of the publishers with respect to the fair use issue, vacated the trial court's award of damages, and remanded for consideration of damages and the scope of the permanent injunction. Chief Judge Martin, Judge Merritt, and Judge Ryan filed dissenting opinions.

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[125] *Id.* The reasons included contributing "to the discipline, providing an opportunity for colleagues to evaluate and critique the authors' ideas and theories, enhancing the authors' professional reputations, and improving career opportunities." *Id.*

[126] *Id.* at *12.

[127] *Id.* at *12-13.

[128] *Id* at 13-14.

[129] *Id.* at *15-16 ("[A]ll of the excerpts far exceed the 1,000 word limit that the legislative history of the Copyright Act of 1976 suggests as a benchmark for 'education' copying.") (citations omitted).

[130] *Id.* at *16-17. For a more detailed discussion of Judge Nelson's arguments, see his majority opinion in *Princeton II*, which is discussed *infra* in Part IV(A).

[131] 74 F.3d 1528 (6th Cir. 1996).

A. *Majority Opinion*

Before analyzing the four fair use factors, the majority first examined the language of the fair use exception contained in 17 U.S.C. § 107. The majority noted that the textual language in section 107, which provides an illustrative list of fair uses, "such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research,"[132] did not provide "blanket immunity" from copyright infringement actions.[133] Rather, the list of fair use scenarios are a defense to an infringement claim only after the use has been determined to have been fair by considering the four fair use factors. After addressing this issue, the majority turned to an analysis of the four fair use factors.

1. The Four Fair Use Factors

a. Effect of MDS's Use Upon the Potential Market For or Value of the Copyrighted Work

Rather than address each fair use factor in numerical order, the majority chose to discuss the fourth factor first because of the Supreme Court's emphasis on the importance of this factor.[134] In analyzing the fourth factor, "the effect of the use upon the potential market for or value of the copyrighted work,"[135] the majority considered whether MDS's use was commercial or noncommercial so it could assign the *Sony* burden of proof.[136] The majority found that the publishers were not challenging the students' use of the excerpts, but rather MDS's compilation of the excerpts into coursepacks without paying permission fees so as to gain a "competitive edge over other copyshops."[137] Comparing MDS's use to that of *The Nation* in *Harper & Row*, which the Supreme Court characterized as commercial, the majority found MDS's use to be commercial in nature. Having assigned the burden of proof on MDS, the majority found that it had not carried its burden of rebutting the presumption that the use was unfair.[138]

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[132] 17 U.S.C. § 107 (1994).

[133] *Princeton II*, 99 F.3d at 1385. The majority noted that "'whether a use referred to in the first sentence of Section 107 is a fair use in a particular case . . . depends upon the application of the determinative factors.'" *Id.* (quoting *Campbell*, 510 U.S. at 578, 114 S. Ct. at 1170 n.9). Supporting the majority's position is the Supreme Court's holding in *Harper & Row*, 471 U.S. at 569, 105 S. Ct. at 2235, where the Court found that Nation's use of the manuscript was not a fair use even though it fell within the non-exhaustive list of uses in the first sentence of section 107.

[134] *Id. See supra* note 16.

[135] 17 U.S.C. § 107(4).

[136] The determination of which party bears the burden turns on the characterization of the use of the copyrighted materials: whether the use is commercial or noncommercial. When the use is commercial, the burden rests on the party claiming the fair use defense. *Sony*, 464 U.S. at 451, 104 S. Ct. at 793. Conversely, when the use is noncommercial the burden is on the party bringing the infringement action. *Id.* The strength of the presumption of market affect varies according to the factual situation in each case, with the presumption at its weakest when the use completely transforms the original. *Campbell*, 510 U.S. at 587-89, 114 S. Ct. at 1176.

The majority then assumed that MDS's use was noncommercial, and still concluded that the publishers would prevail with respect to the fourth factor because they met their "burden of proving a diminution in potential market value."[139] The majority cited the test set forth in the triad of Supreme Court cases for negating fair use: whether the use, if it "should become widespread . . . would adversely affect the potential market for the copyrighted work."[140] The majority then examined the facts in the case, noting that the publishers derived substantial profits from collecting permission fees, and that allowing the copyshops to use the material without paying the fees would cut into this "revenue stream," diminishing the value of the copyrighted works.[141]

In opposition to the publishers' claim that the compilation of the excerpts into coursepacks would harm the potential market of the works, MDS argued that the publishers' claim to the permission fees was circular in nature because the purpose of the lawsuit was to determine whether MDS was entitled to receive the permission fees. The majority rejected this argument, comparing it to a scenario where MDS, setting up a business that duplicated books in their entirety and asserting the fair use defense, would argue that a publisher's claim of market harm would be circular because it had no right to the copyright revenues.[142] Such circularity arguments, the majority argued, were also rejected by the Second Circuit in *American Geophysical Union v. Texaco, Inc.*,[143] and implicitly by the Supreme Court in *Harper & Row*[144] and *Campbell*.[145] Specifically, the majority stated that since these cases stood for the proposition that licensing fees are a potential market for the copyrighted works, and that the "likelihood that publishers actually will license such reproduction is a demonstrated fact," the argument that the use of the coursepacks will harm the market was not circular in reasoning.[146]

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[137] *Princeton II*, 99 F.3d at 1386.

[138] *Id.*

[139] *Id.*

[140] *Id.* at 1387 (quoting *Harper & Row*, 471 U.S. at 568, 105 S. Ct. at 2234 (quoting *Sony*, 464 U.S. at 451, 104 S. Ct. at 793)).

[141] *Princeton II*, 99 F.3d at 1387.

[142] *Id.*

[143] 60 F.3d at 913, 929-31 (2d Cir. 1994).

[144] 471 U.S. at 66-69, 105 S. Ct. at 2233-35.

[145] 510 U.S. at 592, 114 S. Ct. at 1178.

[146] *Princeton II*, 99 F.3d at 1388.

Besides the circularity argument, MDS also argued that the professors' affidavits stating that they would not have assigned the entire works to their students was evidence against a finding that the coursepacks harmed the potential market for the works.[147] Three professors stated in affidavits that they would not have assigned the entire work to their students in the event the excerpts were unavailable.[148] In addition, one professor indicated that he had experienced delays in obtaining his coursepacks when the copyshop had to obtain permission from the publishers, and another stated that the publishers of one of the excerpted books would have turned down the request for permission to use an excerpt of the original.[149] As with MDS's first argument, the majority rejected the significance of the second argument, noting that all three professors did not state whether they would refrain from using the coursepacks if MDS had to pay permission fees.[150] In addition, the court found that the first professor did not state whether he would have experienced delays in receiving his coursepacks if MDS had sought permission from the authors, and that the second professor did not say whether he would not have assigned the excerpt if the publisher had denied permission to include it in the coursepack.[151] Therefore, the majority did not place much weight on the professor's affidavits when it considered whether the coursepacks harmed the potential markets for the publishers' copyrighted works.[152]

In sum, the majority found that MDS's use of the excerpted material without paying permission fees would harm the potential market of the publishers' copyrighted works, and it weighed the fourth factor against a finding of fair use.[153]

b. *The Purpose and Character of the Use*

After deciding the fourth factor first, which the majority felt was, if not the most important, a significant factor in the fair use analysis, it next considered the first factor: "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes."[154] The majority first considered whether MDS's use was for commercial or nonprofit educational purposes. Relying on its prior analysis and conclusion that MDS's use was commercial, the court addressed and rejected MDS's argument that its use was for nonprofit educational purposes.[155] MDS argued that since students and professors would have a nonprofit educational purpose if they performed the copying themselves, it should be able to step into their shoes and also have a nonprofit educational purpose.[156] MDS also emphasized that it could photocopy the excerpts in a cheaper and faster manner than the students and professors. Dispatching MDS's argument that it could photocopy more efficiently, the majority noted that the copyshops that paid permission fees were also able to photocopy the excerpts more cheaply than the students and professors.[157] The majority then addressed MDS's main argument that because professors and students photocopying the excerpts would have a nonprofit educational purpose, it should be able to step into their shoes and also have such a purpose. Tackling the first part of this argument, the majority stated that it is uncertain whether the students' and professors' photocopying would be a fair use, and that this issue need not be decided because the "copying complained of here was performed on a profit-making basis by a commercial enterprise."[158] The majority then rejected the second part of MDS's argument, that it should be able to assume the students' and professors' nonprofit educational characterization, by citing authority for the proposition that profit-seeking entities cannot step into the shoes of nonprofit educational institutions and have their use characterized as such.[159]

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[147] *Id.*
[148] *Id.*
[149] *Id.*
[150] *Id.*
[151] *Id.*
[152] *Id.*
[153] *Id.* at 1386-88.
[154] 17 U.S.C. § 107(1).
[155] *Princeton II*, 99 F.3d at 1388-89.

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After addressing the purpose of MDS's use of the excerpts, the majority considered the degree to which the challenged use transformed the original works. Finding that MDS's verbatim photocopying and compilation of the excerpts into coursepacks "bears little resemblance to the creative metamorphosis accomplished by the parodists in the *Campbell* case," the majority concluded that the degree of transformation is "virtually indiscernible."[160]

In sum, the majority found that MDS's photocopying and compilation of the excerpts into coursepacks was for a commercial purpose and did not transform the original to any discernable degree.

c. *Nature of the Copyrighted Work*

The second factor, "the nature of the copyrighted work,"[161] considers whether the work contains expressions or factual information. Because

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[156] *Id.* at 1389.

[157] *Id.*

[158] *Id.*

[159] *Id.* The majority cited PATRY, *see supra* note 6, at 420 n.34, and the Classroom Guidelines, H.R. Rep No. 1476, at 74, *reprinted in* 1976 U.S.C.C.A.N. at 5687-88.

[160] *Princeton II*, 99 F.3d at 1389. As has been previously discussed, a finding that a use does not transform the original is not dispositive on the overall issue of fair use. In *Sony*, 464 U.S. at 454-56, 104 S. Ct. at 795-96, for example, the Court found that the use was fair despite the fact that it was verbatim copying of the entire programs. A finding that a use is non-transformative does affect, however, the strength of the presumption of market harm when considering the fourth factor. *See supra* note 75 and accompanying text.

[161] 17 U.S.C. § 107(2).

MDS admitted that the excerpts that it copied were creative materials, which are closer to the type of works that copyright law seeks to protect,[162] the majority weighed this factor against a finding of fair use.[163]

d. *Amount and Substantiality of Portion Used*

With respect to the third factor, the majority considered "the amount and substantiality of the portion used in relation to the copyrighted work as a whole,"[164] recognizing that "'the larger the volume (or the greater the importance) of what is taken, the greater the affront to the interests of the copyright owner. . . .'"[165] The majority found that all of the excerpts that MDS copied, ranging between five percent to thirty percent of the original, exceeded the 1,000-word safe harbor contained in the Classroom Guidelines and were a substantial amount of copying.[166] As to the value of the excerpts copied, the majority placed significance on the professors' selection of the materials for required reading.[167] In addition, the majority reasoned that the professors had most likely selected the most important passages in the excerpted works, lending support to its conclusion that the value of the excerpts in relation to the original was substantial.[168] Although noting that "the third factor may have more significance for the 95-page excerpt . . . than for the 17-page excerpt,"[169] the majority found that MDS had not met its burden of proof with respect to the substantiality and value of the portions copied.[170]

3. Non-Enumerated Factors

Having examined the four fair use factors, the majority considered two non-enumerated factors: the Classroom Guidelines and the authors' non-monetary incentives for writing.

a. *Classroom Guidelines*

The first non-enumerated factor that the majority considered was the Classroom Guidelines ("the Guidelines"). While recognizing that the

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[162] *See Harper & Row*, 471 U.S. at 563, 105 S. Ct. at 2232 ("The law generally recognizes a greater need to disseminate factual rather than works of fiction or fantasy."). *See also supra* note 63.

[163] *Princeton II*, 99 F.3d at 1389.

[164] 17 U.S.C. § 107(3).

[165] *Princeton II*, 99 F.3d at 1389 (quoting Leval, *supra* note 6, at 1122).

[166] *See* H.R. Rep. No. 1476, at 68, *reprinted in* 1976 U.S.C.C.A.N. at 5682. The shortest excerpt copied was 8,000 words. *Princeton II*, 99 F.3d at 1389.

[167] *Princeton II*, 99 F.3d at 1389.

[168] *Id.*

[169] This "puzzled" Judge Ryan. Because the majority weighed the third factor against a finding of fair use for all of the excerpts, he assumed that the majority saw no "important analytical difference between" the excerpts. *Id.* at 1405.

[170] *Id.*

Guidelines were not enacted by Congress and do not have the force of law, the majority turned to them for guidance, noting the ambiguities surrounding the fair use provisions and the Supreme Court's reference to them.[171] Looking at the safe harbor provisions of the Guidelines, which "state the minimum and not the maximum standards of educational fair use,"[172] the majority determined that MDS's copying was "light years away from the safe harbor of the guidelines" and weighed against a finding of fair use.[173]

b. *Authors' Non-Monetary Incentives For Writing*

For this non-enumerated factor, the majority considered the authors' incentives for writing in the context of copyright law's goal of stimulating "artistic creativity for the general public good."[174] MDS argued that it should be entitled to a fair use defense because academic authors write primarily for non-monetary reasons, such as the dissemination of information and acquiring tenure, as well as desire that their works be copied without having to pay permission fees.[175] The majority rejected MDS's argument, focussing not on the authors' incentives in writing the works, but instead on the publishers' incentives in publishing the works.[176] The majority noted that since works by academic authors lack general public appeal, the incentive of the publishers to publish these works is permission fees.[177] Without these fees, the majority conjectured, the publishers would not publish the works, the public would not have access to them, and artistic creativity would suffer.[178]

4. Balancing of Factors

After considering the four fair use factors and the two non-enumerated factors, the majority held that MDS was not entitled to the fair use defense. The majority therefore affirmed the district court's grant of summary judgment in favor of the publishers and remanded the case for reconsideration of damages and the scope of the injunction.[179]

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[171] *Id.* at 1390. The majority noted that the "statutory factors are not models of clarity, and the fair use issue has long been a particularly troublesome one." *Id.* (citations omitted).

[172] H.R Rep No. 1476, at 68, *reprinted in* 1976 U.S.C.C.A.N. at 5681.

[173] *Princeton II*, 99 F.3d at 1391.

[174] Id. (quoting *Sony*, 464 U.S. at 431-32, 104 S. Ct. at 783-84).

[175] *Princeton II*, 99 F.3d at 1391.

[176] *Id.* The majority quoted Judge Leval's observations in American Geophysical Union v. Texaco, Inc., 802 F. Supp. 1 (S.D.N.Y. 1992), *aff'd*, 37 F.3d 881 (2d Cir.), *amended and superseded by* 60 F.3d 913 (2d Cir. 1994), that "[i]t is not surprising that authors favor liberal photocopying; generally such authors have a far greater interest in the wide dissemination of their work than in royalties — all the more so when they have assigned their royalties to the publisher." Princeton II, 99 F.3d at 1391 (quoting *American Geophysical*, 802 F. Supp. at 27).

[177] *Princeton II*, 99 F.3d at 1391.

[178] *Id.*

B. *The Dissents*

1. Chief Judge Martin's Dissent

In his dissent, Chief Judge Martin denounced the majority's opinion as a "lack of judicial prudence," because it rigidly construed the Copyright Act and did not focus on the Act's purpose of stimulating authors to create works for the public's benefit, even if this required authors to "share" their works.[180] The Chief Judge stated that the majority strictly construed the Copyright Act and the fair use doctrine, apparently referring to the majority's finding that MDS's use had a commercial rather than a nonprofit educational purpose. Because MDS provided photocopying services to students and to faculty at the University of Michigan at prices less than they could perform the photocopying themselves, the Chief Judge found that MDS "promoted scholarship and higher education," apparently indicating that the use has a nonprofit educational purpose.[181] The Chief Judge also disagreed with the majority's separation of MDS's use with that of the professors and students, noting that the only difference was MDS's more efficient photocopying.[182]

Related to his argument that the majority strictly construed the Copyright Act and the fair use doctrine, the Chief Judge stated that the majority improperly considered the purposes of copyright law.[183] Balancing the public benefit against the economic harm of MDS's photocopying, he found that "there is no adverse economic impact on Princeton University Press that can outweigh the benefits provided by Michigan Document Services."[184] When considering the economic harm of MDS's activity, the Chief Judge did not "presume" that the publishers were entitled to permission fees.[185]

The Chief Judge concluded by noting that the majority's failure to consider the purpose of the fair use doctrine will stifle "scholastic progress nationwide."[186] By requiring the copyshops to pay permission fees, the majority passed the costs of money and time on to the professors and students.[187] In addition, the Chief Judge conjectured that the added costs and delays in the production of the coursepacks will dissuade professors from using them in their classes.[188] Because of this presumed negative effect on the educational process, he found the majority's holding to violate the purpose of copyright in promoting the free flow of information for the public's benefit.[189]

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[179] *Id.* at 1393.

[180] *Id.*

[181] *Id.* The Chief Judge did not specifically point to any of the fair use factors, but instead alluded to the ideas and concepts that they considered. For example, it discussed MDS's services to the university but did not indicate that it was analyzing the second part of the first fair use factor.

[182] *Id.* In opposition to the majority's finding that MDS's use was different from that of the students and professors, the Chief Judge provided an example of a student research assistant making photocopies for a professor. He conjectured whether the majority's reasoning would require professors to pay permission fees.

[183] *Id.*

[184] *Id.*

[185] *Id.*

[186] *Id.*

2. Judge Merritt's Dissent

Judge Merritt disagreed with the majority's interpretation of section 107, which provides for fair use for "multiple copies for classroom use," and the majority's analysis of the four fair use factors. Regarding the interpretation of section 107, Judge Merritt found that MDS's use was fair solely because it fell within the enumerated purpose of "teaching (including multiple copies for classroom use)."[190] Judge Merritt would have ended the inquiry there and would not have considered the fair use factors.[191]

Judge Merritt's second argument was that the majority's analysis of the four fair use factors, assuming that they should be considered at all, was incorrect. For the first fair use factor, Judge Merritt argued that the majority misapplied the factor because it characterized the transaction between MDS and the students as "commercial."[192] In addition, the majority cited *Harper & Row* for the proposition that the use of the excerpts was "commercial," and Judge Merritt argued that the two cases are distinguishable on the grounds that *Harper & Row* did not concern "multiple copies for classroom use."[193] Regarding the third factor, "the amount and substantiality of the portion used," Judge Merritt found that the excerpts contained only a small percentage of the original and concluded that the factor should not have weighed against a finding of fair use.[194] For the fourth factor, the market effect of MDS's use, he argued that the majority should have characterized the use as having a non-commercial educational purpose and should have assigned the burden of proof to the publishers.[195] Under this burden, Judge Merritt found that the publishers would have failed to prove market harm.[196] In sum, he disagreed with the majority's analysis and weighing of the four fair use factors, stating that the first, third and fourth should have weighed in favor of a finding of fair use.

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[187] *Id.* at 1394.

[188] *Id.*

[189] *Id.*

[190] 17 U.S.C. § 107. In determining that MDS's use had a nonprofit educational purpose, Judge Merritt disagreed with the majority's finding that MDS's use was separate from that of the students and professors: "The Court's distinction in this case based on the division of labor— who does the copying — is short sighted and unsound economically." *Princeton II*, 99 F.3d at 1395.

[191] *Id.* at 1395 n.1.

[192] *Id.* at 1396.

[193] *Id.*

[194] *Id.*

[195] *Id.*

3. Judge Ryan's Dissent

The lengthiest of the three, Judge Ryan's dissent disagreed with the majority's application of the first, third and fourth fair use factors; its analysis of the authors' and publishers' incentives for writing and publishing the works; and its weighing MDS's noncompliance with the Classroom Guidelines against a finding of fair use.

For the first factor, Judge Ryan disagreed with the majority's analysis of both parts. For the first part, which considers the degree to which the challenged use has transformed the original, Judge Ryan argued that no analysis of the transformative nature need be performed, because of dicta in a footnote in the *Campbell* case stating that "[t]he obvious statutory exception to this focus on transformative uses is the straight reproduction of multiple copies for classroom distribution."[197] Finding that MDS's use was "multiple copies for classroom use," he did not weigh the first part of the first factor against a finding of fair use even though the coursepacks had slight transformative value.[198] With respect to the second part of the first factor, Judge Ryan found that MDS's use was inseparable from that of the students and professors and,[199] because the professors and not MDS selected the materials to be placed into the coursepacks without a profit motive, was nonprofit and educational.[200] Judge Ryan therefore weighed both parts of the first factor in favor of a finding of fair use.[201]

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[196] *Id.* at 1396-97. Judge Merritt found that although the publishers had received permission fees in the past, they had no right to them: the right to the fees was the dispute in the case. *Id.* at 1397. Also, he disagreed with the majority's mention of "agreed royalties," noting that MDS had not negotiated the fee with the publishers. *Id.*

[197] *Id.* at 1400 (quoting *Campbell*, 510 U.S. at 579, 114 S. Ct. at 1171 n.11).

[198] *Princeton II*, 99 F.3d at 1400.

[199] Judge Ryan distinguished *Harper & Row* from the present case, which the majority cited for the proposition that it should only consider MDS's use, by finding two factual differences between them: (1) that the for-profit user obtained the manuscript that it later sold to the public, and (2) that the for-profit user selected the most significant portions of the manuscript with an eye towards maximizing its profits. MDS, Judge Ryan argued, "neither selected the material to be copied for its content/substance nor sought to profit from the copyrighted material because of its substance; its purpose was to profit only from the mechanical services of photoreproduction and assembly." He also asserted that MDS's use was inseparable from that of the students and professors because it reproduced only those excerpts selected by the professors for their use in the classroom. *Id.* at 1401-02.

[200] The test for determining the commercial or nonprofit nature of the work is "not whether the sole motive of the use is monetary gain but whether the user stands to profit from the exploitation of the copyrighted material without paying the customary price." *Id.* at 1400 (quoting *Harper & Row*, 471 U.S. at 562, 105 S. Ct. at 2231). Judge Ryan interpreted "exploitation of the copyrighted materials" as requiring that the party who

In addition to the first fair use factor, Judge Ryan also disagreed with the majority's analysis of the third factor, which considers the amount and value of the excerpt used. With respect to the majority's analysis of the value of the excerpts, rather than concluding that the fact that the professors selected the materials was evidence itself of the excerpts' "qualitative value,"[202] he found that this only suggested that the excerpts were either distinguishable enough to exist separately from the entire work or of little relevance to the unassigned portion.[203] Judge Ryan instead considered whether MDS's coursepacks superseded the excerpted works, thus "'fulfilling demand for the original.'"[204] After searching the record in this case, he did not find any evidence of MDS's coursepacks superseding the publishers' market for the original works. In fact, he found that the three professors' affidavits stating that they assigned the excerpts only when they did not require the students to buy the entire book, as well as the professors' signed statements that but for the coursepacks they would not otherwise have assigned the work, supported its argument that the coursepacks did not supersede the publishers' market for the original works.[205] Therefore, Judge Ryan disagreed with the majority's analysis of the third factor and weighed it in favor of a finding of fair use.[206]

For the fourth fair use factor, "the effect of the use upon the potential market for or value of the copyrighted work,"[207] Judge Ryan disagreed with the majority's analysis and weighing of the factor against a finding of fair use. Because it had already determined that MDS's use was nonprofit and educational, he assigned the burden of proving market harm to the publishers.[208] Under this burden, and even without the

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selected the excerpted material had an eye towards making a profit and actually profited from the use, which it found MDS did not do in this case.

[201] *Id.* at 1404. Judge Ryan also considered the effect on the fourth fair use factor if it found MDS's use commercial. He argued that the first factor's impact on the fourth factor should be considered in light of the purposes of copyright law when determining whether a use was commercial or nonprofit and educational. *Id.* at 1403. A finding that the use was nonprofit and educational would be consistent with copyright law's goal of promoting the arts and sciences. Because Judge Ryan determined that MDS did not select the materials to be excerpted and that society benefited from allowing the professors to circulate more information to their students, he found that the public's interest outweighed the publishers' interest in collecting permission fees. *Id.* at 1404.

[202] *Id.* at 1389.

[203] *Id.* at 1405.

[204] *Id.* at 1405 (quoting *Campbell*, 510 U.S. at 588, 114 S. Ct. at 1176).

[205] *Princeton II*, 99 F.3d at 1405-06. Judge Ryan dismissed the majority's claim that because the professors did not say that they would not have used the coursepacks if MDS paid permission fees, the affidavits were not dispositive on the issue of market harm: "It is irrelevant and unknowable to ask how high the fees charged for permission would have to be before the professors would not assign the excerpts if the copyshop paid permission fees." *Id.* at 1406.

[206] *Id.*

[207] 17 U.S.C. § 107(4).

[208] 99 F.3d at 1407.

presumption against market harm, Judge Ryan found that this factor would weigh in favor of a finding of fair use because the publishers failed to show that MDS's coursepacks harmed the market for their original works or their potential market for derivative works.[209]

Judge Ryan attacked the majority's theory that the publishers' permission fees were a market harmed by MDS by arguing that it would always result in a finding of market harm, and that it violated copyright law's goal of advancing the arts and sciences. Judge Ryan found that under the majority's reasoning that permission fees constituted an existing market, a use would always harm the market because the publishers would not receive these fees. The majority's attempt to escape this circularity by stating that permission fees were an established or potential market failed because there was no evidence that the publishers would attempt to produce their own coursepacks and compete with the copyshops.[210] Judge Ryan also asserted that the majority's position conflicted with copyright's goal of advancing the arts and sciences by giving the publishers exclusive rights to the use of their works.[211] Therefore, he determined that the publishers failed to meet their burden of proof with respect to showing market harm and weighed the fourth factor in favor of a finding of fair use.

In addition to finding error with the majority's analysis of the first, third and fourth factors, Judge Ryan disagreed with the majority's examination of the two non-enumerated factors. Specifically, he found that the majority erred when it weighed MDS's nonconformity with the Classroom Guidelines against fair use, and when it found that the permission fees provided incentives to the authors and publishers to write and publish. With respect to the majority's first non-enumerated fair use factor, Judge Ryan objected to the majority's finding that MDS's nonconformity with the Guidelines weighed against a finding of fair use. Judge Ryan argued that because the language of section 107 was unambiguous and that the Guidelines were not enacted and are only a part of the Conference Committee reports, the Guidelines have no relevance and should not have been used in weighing against a finding of fair use.[212] Judge Ryan also disagreed with the majority's emphasis on the publishers' incentives to publish, noting that the majority had no evidence from which to draw these conclusions, and that the "paltry" permission fees were too small to influence the publishers.[213] Rather, he focussed on the authors' declarations stating that they had non-monetary incentives for writing.[214] Since the authors received rewards other than money from their writing, Judge Ryan argued that MDS's use of their works in the coursepacks did not deprive them of their incentives to continue creating their works, and that this should weigh in favor of a finding of fair use.[215]

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[209] *Id.*

[210] Judge Ryan distinguished *Harper & Row* and *Campbell* from the present case, both of which the majority used to support its argument that permission fees constitute an existing derivative market, by pointing to the specialized nature of MDS's coursepacks. With respect to *Harper & Row*, he emphasized that the publishers had an existing derivative market, a contract with TIME magazine authorizing the use of the memoirs, that Nation harmed. In the present case, however, Judge Ryan argued that "there is no similar evidence of injury to the value of a work" because the publishers had not sought to enter into any derivative markets. *Id.* at 1408. With respect to *Campbell*, Judge Ryan argued that even if the publishers had created products for the derivative market, no evidence would show that MDS's coursepacks harmed that market for the publishers' works. *Id.*

[211] Judge Ryan distinguished between uses that harmed the value of the market and those uses that always caused economic harm. Placing the right to receive permission fees in the economic harm category, he noted that the publishers will always suffer harm when the works are used without paying permission fees. Since "[t]he guiding principle of the Copyright Act is that the financial earnings of original works be channeled exclusively to the creators of the works insofar—and only insofar—as they are necessary to motivate the creation of original works and do not excessively impede the advancement of science and the arts," Judge Ryan found that the publishers' monopoly over the uses of the works violated copyright law's primary purpose. *Id.* at 1409.

After performing its own analysis of the factors and non-enumerated factors, Judge Ryan found that MDS's use was fair and that the district court's grant of summary judgment in favor of the publishers should have been reversed.

V. ANALYSIS OF *Princeton II*

After a trial and two appeals, the issue of whether MDS could compile excerpts into coursepacks and sell them to students without paying permission fees was only tentatively answered. The three lengthy dissents in *Princeton II* call into question the weight of the majority's holding. Although the majority erred in its reliance on the Classroom Guidelines, it reached the correct decision. In denying MDS its fair use defense, the majority struck a balance between copyright law's two competing purposes.

A. *The Majority Reached a Result Consistent with the Copyright Act and Prior Case Law*

1. First Factor: Transformative Nature of the Work

For the first part of the first factor, whether MDS's use transformed the original, the proper inquiry is "whether the new work 'supersede[s] the objects' of the original creation . . . or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning or message."[216] While both the majority and Judge Ryan agreed that MDS's verbatim copying of the original works had slight transformative value, Judge Ryan cited dictum, in footnote eleven in the *Campbell* case, for the proposition that the use was an exception to the transformative-value determination.[217] Footnote eleven states that "[t]he obvious statutory exception to this focus on transformative uses is the straight reproduction of multiple copies for classroom distribution."[218]

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[212] *Id.* at 1411. Instead of relying on "pre-enactment political maneuvering of Congress," Judge Ryan argued that the court should rely only on "the rich body of case law" that fleshed out the analysis of the fair use doctrine. *Id.* at 1412.

[213] *Id.* at 1410.

[214] *Id.* The authors wrote to make a contribution to the works in their field, to advance in their careers, to provide the opportunity for pubic debate, and to heighten their reputations. *Id.*

[215] *Id.*

Judge Ryan's reliance on this exception is troubling because the source of the authority is questionable and its language is ambiguous. Without citing any authority for its exception, the *Campbell* Court created this transformative-value bypass in dictum in a footnote. It is not clear whether the Court's "obvious" statutory exception is the list of permissible *fair* uses contained in the preamble of section § 107, which includes "teaching (including multiple copies for classroom use)."[219] A reasonable interpretation of the Court's dictum is that a use that falls within this list of uses, which carry a presumption of fairness, can be fair even though it has no transformative value. While not dispositive, this part of the first factor should weigh against a finding of fair use, as the majority correctly found, because MDS's copying was not an enumerated use and had slight transformative value.[220]

2. First Factor: Purpose of MDS's Use

Like the first part of the first factor, the majority correctly weighed the second part against a finding of fair use. This determination is critical to the fair use analysis because it determines the assignment of the burden of proof for the fourth fair use factor. In determining whether the use was for commercial or for nonprofit educational purposes, the inquiry is whether the "user stands to profit from exploitation of the copyrighted material without paying the customary price."[221] Viewing MDS's use as a use separate from that of the students and professors, the majority correctly found that MDS profited from copying the materials without paying permission fees and that its use was commercial.

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[216] *Campbell*, 510 U.S. at 579, 114 S. Ct. at 1171 (citations omitted).

[217] *Princeton II*, 99 F.3d at 1400. Interestingly, the majority did not address this exception when considering this part of the first factor. *Id.* at 1389.

[218] *Campbell*, 510 U.S. at 579, 114 S. Ct. at 1171 n.11.

[219] *See Princeton II*, 99 F.3d at 1385 n.1 (analyzing section 107's preamble and refuting Judge Merritt's distorted statutory reading and conclusion that the fair use factors have little relevance to the present case).

[220] *See Kinko's*, 758 F. Supp. at 1530-31 (finding that Kinko's creation of coursepacks did not transform the original works); Leval, *supra* note 6, at 1111 ("The use . . . must employ the quoted matter in a different manner or for a different purpose from the original. A quotation of copyrighted material that merely repackages or republishes the original is unlikely to pass the test.").

[221] *Harper & Row*, 471 U.S. at 562, 105 S. Ct. at 2231.

The majority was correct in finding MDS's use was commercial because it stood to "profit from the exploitation of the copyrighted materials without paying the customary price."[222] MDS's use was commercial even though its coursepacks were ultimately used for educational purposes, it did not itself select the materials to compile into the coursepacks,[223] and it did provide valuable services for the professors and students by copying the excerpts and compiling them into coursepacks. The initial transaction involved the copying and the compilation of the publishers' copyrighted excerpts without paying the customary price—the price of the books and permission fees. Like any corporation seeking to continue its existence, MDS made a profit on those transactions. Allowing MDS to stand in the shoes of the professors and students would stretch the nonprofit educational characterization to a point where it would include almost any use. Prior case law addressing this issue has looked exclusively at the initial transaction and not to the downstream uses of the materials.[224]

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[222] *Id.* at 562, 105 S. Ct. at 2231-32.

[223] Judge Ryan drew a distinction between MDS's use, where the professors selected the materials to compile, and THE NATION's use in *Harper & Row*, where it selected the excerpt based on its potential profitability. *Princeton II*, 99 F.3d at 1401-02. As the majority opinion noted, this is meaningless distinction. *Id.* at 1386 n.3. While MDS did not select the materials, it still photocopied the heart of the works without paying the customary price. Under his logic, a crime would be less culpable if another had, prior to the act, instructed the perpetrator as to what to do.

[224] In *Kinko's*, 758 F. Supp. at 1531, for example, the court found that while the "use of Kinko's packets, in the hands of the students, was no doubt educational[,] . . . the use in the hands of Kinko's employees is commercial." Since the copyshop sought to profit from exploiting the publishers' copyrights by not paying the permission fees, the downstream educational benefits were not given dispositive weight and the use was found to be commercial. In another case, *American Geophysical*, 60 F.3d at 922, the Second Circuit found that although the use of the photocopied journal articles was primarily for research, the indirect commercial gain of Texaco was significant. In this case, Texaco subscribed to scientific journals and circulated them to its researchers. If the researchers found the articles helpful, they would photocopy them and create an archive for later reference. While the court found that "Texaco was not gaining direct or immediate commercial advantage from the photocopying at issue in this case," as in *Kinko's*, it still placed importance on the for-profit nature of Texaco: "[I]t is not obvious why it is fair for Texaco to avoid having to pay at least some price to copyright holders for the right to photocopy the original articles." *Id.* at 921-22. Thus, the court recognized that although the indirect profits from the research did not rise to the level of commercial exploitation as in *Kinko's*, the for-profit nature of the company was significant. In effect, the court found that Texaco was exploiting the publishers' copyrights without paying the customary price. Compare *American Geophysical* with Williams & Wilkins Co. v. United States, 487 F.2d 1345 (Ct. Cl. 1973), where the court found that the copying of medical articles by the National Institutes of Health ("NIH") and by the National Library of Medicine ("NLM") was a fair use. In that case, various government departments would submit requests to the NIH and NLM for photocopies of articles in medical journals. In analyzing the government's common law fair use defense, the court emphasized that the copying was performed by nonprofit organizations "devoted solely to the advancement and dissemination of medical knowledge." *Id.* at 1354. In addition, the majority of the recipients of the articles were also nonprofit governmental entities. Contrast

Looking solely at the initial transaction would not produce inconsistent results in scenarios where the user does not have the same profit incentive as MDS, such as Chief Judge Martin's example of research assistants copying articles for their professors.[225] The research assistants can be readily identified with the educational process. They are enrolled with the educational institution and are receiving educational benefits in addition to money for their services. This is in contrast with MDS, who has no affiliation with the educational institutions and who does not receive any benefit other than money for its services.[226] Therefore, the majority properly found that MDS exploited the publishers' materials without paying permission fees and that the use was commercial.

3. Second Factor: Nature of the Copyrighted Work

This factor was not in dispute. Both the majority and Judge Ryan agreed that the works were expressive and of a type that copyright law intended to protect. The majority properly weighed this factor against a finding of fair use.

4. Third Factor: Amount and Substantiality of Portion Used

As with the first and second factors, the majority correctly found that this factor weighed against a finding of fair use. MDS copied between five and thirty percent of the original works, with each excerpt presumably capturing the works' most important portions. In addition to considering the length of the excerpts, the court must also consider the qualitative nature of the excerpts used. This requires an analysis of the first and fourth factors, which consider the purpose, character, and the "degree to which the . . . [use] may serve as a market substitute for the original or potentially licensed derivatives."[227] Because MDS's ver-

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the copying of NIH and NLM with that of the entities in *Princeton II*, *Kinko's* and *American Geophysical*, where they made the copies for profit-making purposes. The courts in those three cases found that the use was for a commercial purpose and weighed against a finding of fair use, even though the eventual users of the materials had nonprofit educational purposes. *See also* Los Angeles News Serv. v. Tullo, 973 F.2d 791, 797 (9th Cir. 1992) (finding a news clipping service's use of videotape to be commercial despite claims that it was for "research, scholarship and private study"); Pacific & Southern Co. v. Duncan, 744 F.2d 1490, 1496 (11th Cir. 1985) (finding that "[t]he fact that TV News Clips focuses on the giving rather than the taking cannot hide the fact that profit is its primary motive for making the exchange"); Television Digest, Inc. v. United States Tele. Assoc., 841 F. Supp. 5, 9-10 (D.D.C. 1993) (weighing the first factor against fair use despite non-profit trade association's alleged research and educational purposes).

[225] *Princeton II*, 99 F.3d at 1393.

[226] If MDS had been affiliated with the institution, its use would probably be characterized as nonprofit and educational. This finding would shift the burden of proving market harm to the publishers, which the publishers would probably be able to do. This would, however, make the fair use analysis even more of a close question.

[227] *Campbell*, 510 U.S. at 587, 114 S. Ct. at 1175 (citations omitted). In *Princeton II*, the majority erroneously cited *American Geophysical*, which cited *Campbell*, for the

batim copying of the works was for a commercial purpose and, as discussed below, harmed the publishers' original and derivative markets for the works, the majority properly weighed this factor against a finding of fair use.

5. Fourth Factor: Effect of MDS's Use on the Publishers' Potential Market for the Works

The majority and dissenting opinions disagreed as to the fourth factor and over the issue of whether permission fees constituted a potential derivative market. The majority considered the publishers' loss of permission fees as harm to a derivative market, while the dissents refused to consider the permission fees, arguing that to do so would pose a problem of circular reasoning. Although the majority's consideration of permission fees involved circular reasoning, it is consistent with the Copyright Act and therefore was correct. However, even without considering the loss of permission fees the majority still correctly weighed the fourth factor against a finding of fair use because of MDS's burden of rebutting the presumption of market harm.

The problem of circular reasoning has plagued courts attempting to determine whether a use harmed publishers' potential derivative market for permission fees. This determination is circular because "whether the publishers can demand a fee for permission to make photocopies is the very question that the fair use trial is supposed to answer."[228] Because copyright law involves rights, an amorphous concept in which a person may have a right with respect to one person or use and not to another, the copyright statute itself is circular in nature. Section 106 provides that copyright owners have the "exclusive rights to do and authorize" the reproduction and distribution of the works by "sale or other transfer of ownership, or by rental, lease, or lending."[229] These exclusive rights, however, are subject to section 107's fair use exception. Therefore, whether the publisher claims harm to a market for permission fees or to revenues for the sale of books, it assumes that it has a right to these fees. As Professor Nimmer noted, this problem of circularity exists in almost all fair use cases involving potential markets "if that potential is defined as the theoretical market for licensing the very use at bar."[230]

While the Supreme Court has not directly addressed whether the consideration of permission fees is circular,[231] the Second Circuit and

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proposition that the proponent of the fair use defense carried the burden as to all of the issues. *Princeton II*, 99 F.3d at 1390 n.5 (citing *American Geophysical*, 60 F.3d at 918). The *Campbell* Court was referring to the *Sony* presumption of market harm and noted that the other factors influenced the weight and placement of this presumption. *Campbell*, 510 U.S. at 590-91, 114 S. Ct. at 1177.

[228] *American Geophysical*, 60 F.3d at 929.

[229] 17 U.S.C. § 106.

[230] NIMMER, *supra* note 16, at § 13.05[A][4].

[231] The majority incorrectly cited *Campbell* and *Harper & Row* for support that

the United States Court of Claims have split on this issue. In *American Geophysical*, the court attempted to escape the circularity problem by distinguishing between existing and non-existent markets for the permission fees, and by making the market harm consideration not dispositive in the fair use analysis.[232] The court found that a potential market for permission fees existed because of the existence of the Copyright Clearance Center ("CCC"),[233] which the court found to implicitly show Congress' understanding that permission fees should be recognized as a potential market.[234] Thus, the court found that a potential derivative market for permission fees existed, and that so long as the "availability of payment is [not] conclusive against fair use, the problem with circularity is avoided."[235] In contrast to *American Geophysical*, the court in *Williams & Wilkins Co. v. United States* found that it would be "wrong" to consider the publishers' loss of permission fees as market harm: "[O]ne cannot assume at the start of the merit of the plaintiff's position, *i.e.*, that plaintiff had the right to license."[236]

While the court in *Williams & Wilkins* correctly found that to assume the publishers' rights to permission fees involved circular reasoning, it neither addressed the inherent circularity of copyright law nor provided a means to reconcile this circularity.[237] The *American Geophysical*

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permission fees should be considered. In *Campbell*, the Court, trying to determine whether Acuff-Rose had a potential market for non-parody rap versions of "Oh, Pretty Woman," limited the potential market to those uses "that creators of original works would in general develop or license others to develop." 510 U.S. at 513, 114 S. Ct. at 1178. The Court inquired into "the likely effect of 2 Live Crew's parodic rap song on the market for a non-parody, rap version of" the original and whether there was a "harm of market substitution," not whether permission fees should be considered as a potential market. *Id.* Similarly, the majority's assumption that the Court in *Harper & Row* found harm to the publisher's potential market for licensing fees was unfounded. The Court only considered the harm to the publishers' actual contract with Time and their "first serialization rights in general." 471 U.S. at 569, 105 S. Ct. at 2234-35. The Court did not consider harm to other potential derivative markets, such as the right to permission fees.

[232] *American Geophysical*, 60 F.3d at 929-31.

[233] *Id.* at 930-31 ("the right to seek payment for a particular use tends to become legally cognizable under the fourth factor when the means of paying for such a use is made easier"). The CCC is a clearing house established by publishers for the efficient collection of permission fees for photocopying copyrighted works. Users of the works have several licensing options: they can pay a fee for each copy or pay a fee for a "blanket arrangement." *Id.* at 929 n.16. For more information on the CCC, *see* Stanley M. Besen & Sheila Nataraj Kirby, Compensating Creators of Intellectual Property: Collectives that Collect (1989).

[234] *Id.* at 931 ("Congress apparently prompted the development of CCC by suggesting that an efficient mechanism be established to license photocopying. . . .").

[235] *Id.* at 931. The majority in *Princeton II* relied on the reasoning in *American Geophysical* when arguing that because a market existed for the permission fees and that this was not dispositive in the fair use analysis, the problem of circularity was avoided. *Princeton II*, 99 F.3d at 1387.

[236] 487 F.2d 1345, 1357 n.19 (Ct. Cl. 1973).

[237] The *Williams & Wilkins* court decided the case under the 1909 Act, which had not codified the fair use defense. Courts instead turned to the common law fair use

court's solution recognized the existing market for the permission fees and, by not making the loss of permission fees dispositive against a finding of fair use, arrived at a workable result that accounted for the logistical problems of the copyright statute. Therefore, the *Princeton II* majority properly cited *American Geophysical* for support when it considered the publishers' loss of permission fees as harm to their potential derivative market.

But even assuming that the permission fees did not constitute a potential derivative market, the majority was still correct in finding that MDS's use harmed the publishers' markets. Because MDS's use had a commercial purpose and was duplication of the originals without adding anything new,[238] the majority correctly presumed that the use harmed the publishers' markets for the works and that MDS failed to rebut it.[239] Although the publishers did not submit any evidence of harm to the original and derivative markets for the works other than the loss of permission fees, harm can be inferred.[240] For example, even though the professors stated that they would not have assigned the book if unable to use them in coursepacks, this would not conclusively rule out the possibility that the students would purchase the works for themselves. Most likely the professors would place the materials on reserve at the library for the students to read and copy for themselves. In lieu of the inconvenience, however, the students would have the option of purchasing the work for themselves. In addition, the professors would also have the option of using a published anthology if they did not want to assign the entire work. Publishers of anthologies, such as Norton & Company, have taken advantage of this derivative market and have increasingly specialized their materials so as to fit different curriculums. Under the market harm test enumerated in *Campbell*,[241]

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doctrine that is similar to that contained in section 107 of the 1976 Copyright Act. An inherent circularity still existed with the 1909 Act, however. If a use was fair under the common law doctrine, then there was no infringement. But to determine if a use was fair, courts would have to assess market harm assuming that the authors and publishers had rights to the royalties and fees to their works. *Williams & Wilkins* did not resolve this inherent circularity contained within the copyright framework as a whole.

[238] The *Campbell* Court recognized that courts, rather than approaching the fourth factor in a case-by-case manner, were either applying a bright-line presumption against fair use for commercial purposes or placing the burden of proof on the party seeking copyright infringement for non-commercial uses. *Campbell*, 510 U.S. at 591, 114 S. Ct. at 1177-78. The *Sony* Court held that a presumption of market harm arises when the copying is for profit and non-transformative because it is "likely that cognizable market harm to the original will occur." *Sony*, 464 U.S. at 451, 104 S. Ct. at 793. On the other hand, if the use transforms the original, market harm is less certain and the presumption is therefore lessened. *Campbell*, 510 U.S. at 591, 114 S. Ct. at 1177.

[239] *Princeton II*, 99 F.3d at 1386.

[240] *See Kinko's*, 758 F. Supp. at 1533 (finding that Kinko's sale of coursepacks not only harmed publishers' collection of permission fees but also their book sales).

[241] *Campbell*, 510 U.S. at 592, 114 S. Ct. at 1178 ("The market for potential derivative uses includes only those that creators of original works would in general develop or

the publishers in *Princeton II* would have been to able to show harm to a potential derivative market for these anthologies. With the presumption and inference of market harm, MDS failed to meet its burden of rebutting this inference. Therefore, the majority correctly found harm to the original and derivative markets and properly weighed the fourth factor against a finding of fair use.

6. Relevance of the Classroom Guidelines

In addition to the four fair use factors, the majority also considered two non-enumerated factors. For the first, the majority weighed MDS's substantial deviation from the Classroom Guidelines against a finding of fair use and, in so doing, erred. As previously discussed, the Guidelines embody the tentative agreement between the publishing and educational institutions; provide only a safe harbor for educational use; "abound[] with evidence of partial compromise and incompletely resolved disputes;"[242] have not been enacted by the House and Senate or signed by the President; and therefore do not have the force of law.[243] Courts should refer to them only when the statutory language is unclear.[244] While section 107's factors are "not models of clarity,"[245] they should not be undermined by the legislative history. Congress as a whole decided upon a framework of four factors, although non-exhaustive, that the Supreme Court has attempted to flesh out. Although the Court has made references to the legislative history when defining the four factors, it has not placed much weight on the Guidelines and has never weighed non-compliance with them against a finding of fair use.[246] In weighing MDS's non-compliance with the Guidelines against a finding of fair use, the majority erred.

7. Writers' Non-Monetary Incentives for Writing

The second non-enumerated factor involved the writers' non-monetary incentives for creating their works. Judge Ryan argued that the writers' statements that they wrote for non-monetary reasons should

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license others to develop."). Since Acuff-Rose had a potential market for a non-parody rap version of "Oh, Pretty Woman," it follows that the publishers should have a potential market for specialized anthologies.

[242] Litman, *supra* note 11, at 877 n.133.

[243] *See supra* Part II(B).

[244] *See* Toibb v. Radloff, 501 U.S. 157, 162, 111 S. Ct. 2197, 2200 (1991) ("Where . . . the resolution of a question of federal law turns on a statute and the intention of Congress, we look first to the statutory language and then to the legislative history if the statutory language is unclear.") (quoting Blum v. Stenson, 465 U.S. 886, 896, 104 S. Ct. 1541, 1548 (1984)).

[245] *Princeton II*, 99 F.3d at 1390.

[246] *See Sony*, 464 U.S. at 447-48, 104 S. Ct. at 791-92 n.29-32 (referring to general purpose and effect of 1976 Copyright Act); *Harper & Row*, 471 U.S. at 549-53, 105 S. Ct. at 2224-27(same); *Campbell*, 510 U.S. at 574-78, 114 S. Ct. at 1170 (same).

weigh in favor of a finding of fair use. Although Judge Ryan was correct in asserting that writers have other motives for creating their works, the publishers' primary motive is economic compensation. The realities of operating a business force publishers to have economic incentives so that they can cover their costs and make a profit. Otherwise, they would have no incentive to stay in business, and creative works would remain unpublished, especially those not having mass appeal such as academic treatises. The first purpose of copyright law—to advance the progress of the arts and sciences—would therefore not be met, because the public would not have access to these works. Judge Ryan erred when he focussed on only the writers' incentives to create the works without considering the publishers' incentives. Therefore, the majority correctly found that the loss of licensing fees would negatively affect the publishers' incentive to publish the works.

8. Weighing of Four Fair Use Factors and Two Non-Enumerated Factors

In sum, all four enumerated fair use factors and the additional consideration of the writers' non-monetary incentives weigh against a finding of fair use. Even though the majority erred when it weighed MDS's noncompliance with the Guidelines against a finding of fair use, it still reached the correct result in finding MDS's use to be unfair.

B. The Majority's Decision Struck a Balance Between the Two Competing Goals of Copyright Law

The majority's decision in *Princeton II* struck the balance between the twin goals of copyright law—to advance the development of the arts and sciences while not diminishing the incentives to create new works. By holding that MDS's compilation of the excerpts into coursepacks for sale was not a fair use, the majority ensured that publishers will receive permission fees and money from the sale of their original and derivative works and therefore will continue to publish these works. While permission fees may not motivate some writers to create works, the same is not true for publishers. Denying publishers permission fees removes their incentive to print works that do not have widespread commercial appeal, especially academic materials. This is so because academic works are mainly bought by libraries, professors and students. Allowing commercial copyshops like MDS to construct coursepacks would harm the original and derivative markets for these works. Libraries and professors could purchase a single copy of the work and, through the use of the copyshops, provide their students with the heart of the material without having to pay for the book. Anthologies would similarly suffer. Despite the increasingly specific nature of these works, the coursepacks will always be more custom-tailored for the classes. By eliminating the publishers' revenues from permission fees and sales of the original and derivative works, they will have less incentive to publish the materials, and the public will ultimately be harmed.

Because the majority's opinion preserved the publishers' incentives, it struck a balance between copyright's twin goals. It not only met the primary goal of ensuring the free flow of information to the public so as to advance the arts and sciences, but it also encouraged this flow of information without diminishing the authors' incentives for creativity.

CONCLUSION

In conclusion, *Princeton II* was correctly decided. Although the majority erred in weighing MDS's noncompliance with the Classroom Guidelines against a finding of fair use, it considered each of the factors consistently with prior case law and struck a balance between copyright law's twin competing goals. In denying MDS its fair use defense to the publishers' infringement claims, the majority ensured that the publishers will receive permission fees and revenue from the sales of books and preserved the publishers' incentives to continue to publish their works. Although the court's decision requires MDS to pay permission fees for its use of the copyrighted materials, the coursepack, a flexible medium to present materials, will not disappear from Michigan's or any other university's campus. The professors, while losing some of their spontaneity in requesting the coursepacks and having to wait to obtain permission from the authors and publishers, will still have access to this flexible medium because the copyshops, despite having to pay the permission fees, can still make a profit and can still charge the students less than it would cost them to make the copies themselves. Thus, the majority's result, while slightly diminishing the value of coursepacks, ensured that publishers will continue to publish the materials that comprise the coursepacks.

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Comments

FAIR USE OF UNPUBLISHED WORKS: SCHOLARLY RESEARCH AND COPYRIGHT CASE LAW SINCE 1992

Robert Spoo

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I. INTRODUCTION

Copyright law in the United States grants authors exclusive rights to reproduce, adapt, distribute, perform, and display their works.[1] These exclusive rights constitute a monopoly, in effect, but it is a limited monopoly inasmuch as it is qualified in three important ways. First, works enjoy copyright protection for a prescribed period of time[2] --currently, the author's life plus fifty years[3] -- at the expiration of which they fall into the public domain and may be freely copied by anyone, without fear of infringement. Second, copyright protects only original expression, not ideas or information.[4] Third, the doctrine of fair use as it has been codified in § 107 of the Copyright Act of 1976 ("1976 Act") permits users other than the copyright owner to copy protected expression without the owner's consent, if such copying is done in a reasonable manner and for a legitimate purpose.[5]

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[1] *See* 17 U.S.C. § 106 (1994).

[2] *See* U.S. Const. art. I, § 8, cl. 8 ("The Congress shall have power ... [[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Rights to their respective Writings and Discoveries.").

[3] *See* 17 U.S.C. § 302(a) (1994). Congress has recently extended the present copyright term by twenty years to the author's life plus seventy years. *See* Sonny Bono Copy Right Term Extension Act, S. 505 105th Cong. (1997) reprinted in *Cong. Rec.* H9946-9954 (daily ed. Oct. 7, 1998).

[4] *See id.* § 102(b). In his dissent in *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 589 (1985), Justice Brennan noted that "[a] subsequent author's taking of information and ideas is in no sense piratical because copyright law simply does not create any property interest in information and ideas." For the statutory meaning of "originality," see 1 Melville B. Nambour and David Nimmer, *Nimmer on Copyright* § 2.01[A], at 2-9 (1998) ("Originality in the copyright sense means only that the work owes its origin to the author, i.e., is independently created, and not copied from other works."). *See also* 1 Paul Goldstein, *Copyright: Principles, Law and Practice* § 1.2.2.3, at 14-16 (1989) (discussing the meaning of "originality" in copyright law).

[5] *See* 17 U.S.C. § 107 (1994).

These three checks placed upon the copyright monopoly -- the first an absolute temporal limitation, the second a conceptual limitation grounded in the idea/expression dichotomy,[6] the third a flexible privilege in the user--serve the same social and pragmatic goal as the monopoly itself: "To promote the Progress of Science and useful Arts."[7] While exclusive copyright provides authors with an economic incentive to create new works, the fair use privilege permits reasonable copying of those works in the interests of generating still more new works.[8] In this respect, Anglo-American copyright jurisprudence envisions a kind of creative ecosystem in which rights, privileges, and incentives coexist and works beget works.[9]

The doctrine of fair use has a twofold function in our society. Its initial purpose is a supralegal one: to foster a climate of understanding in which authors, copyright owners, and users of protected expression recognize their respective rights and responsibilities and, ideally, work together to promote tolerance and creative progress.[10] When that understanding breaks down and a dispute results in litigation, fair use realizes its second purpose as an affirmative defense[11] to a claim of copyright infringement. As such, it allows a defendant to acknowledge the act of copying protected expression but to raise affirmatively certain facts that justify the copying -- notably the transformative character of the new work. A new work is considered to be transformative when it does more than merely offer itself as a substitute for the original and "instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message."[12] If a work transforms material taken from its source, it is likely to add in an innovative way to our culture's store of knowledge and to promote the progress of enlightenment envisaged in the Constitution's Copyright Clause.[13]

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[6] For a succinct discussion of the idea/expression dichotomy (or distinction), *see* 1 GOLDSTEIN, *supra* note 4, § 1.2.2.4, at 16 ("Copyright law withholds protection from ideas on the principle that the national culture would languish if creators had to pay tribute each time they employed one of these building blocks.").

[7] U.S. Const. art. I, § 8, cl. 8.

[8] The goal of encouraging the composition of useful books by "allowing a second author to use, under certain conditions, a portion of a prior author's work" formed a consistent theme in early British fair use cases. William F. Patry, *The Fair Use Privilege in Copyright Law* 5 (2d ed. 1995). *See also* 1 Goldstein, *supra* note 4, § 1.1, at 6 ("The balance that copyright law strikes between the incentives that authors and publishers need to produce original works and the freedom that they and others need to draw on earlier copyrighted works rests on a judgment about social benefit.").

[9] By the copyright "ecosystem" I refer to the fundamental Anglo-American conception of copyright as a utilitarian overlapping of rights rather than a mine-thine property ideal. Professor Weinreb disagrees with Judge Leval and others who see fair use in instrumental terms -- that is, as "a utilitarian limitation on the general utilitarian purpose of the [1976 Copyright] Act" -- and places fair use in the context of broader conceptions of "fairness." Lloyd L. Weinreb, "Fair's Fair: A Comment on the Fair Use Doctrine," 103 *Harv. L. Rev.* 1137, 1150-51 (1990).

[10] The attempt in this comment to conceptualize fair use in terms of a larger "supralegal" role in society--a role that transcends the specifically legal functions of the doctrine -- may be compared to Professor Fisher's notion of fair use as contributing to "the good life": "uses of copyrighted material that either constitute or facilitate creative engagement with intellectual products should be preferred to uses that neither constitute nor foster such engagement." William W. Fisher III, "Reconstructing the Fair Use Doctrine," 101 *Harv. L. Rev.* 1661, 1768 (1988).

[11] *See* 4 Nimmer, *supra* note 4, § 13.05, at 13-149.

The 1976 Act offers a nonexclusive list of purposes that may qualify for the fair use privilege -- "criticism, comment, news reporting, teaching ... scholarship, or research"[14] --and establishes four nonexclusive factors that are to be used by courts in testing for fair use: (1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used; (4) the effect of the use upon the potential market for the copyrighted work.[15] This comment focuses on the first two factors as they relate to scholarly fair use of unpublished works, an area of copyright law that has been intensely debated in recent years. Part II of this comment discusses the 1976 Act's codification of the earlier common-law copyright in unpublished works. Part III reviews the pivotal court decisions of the 1980s and early 1990s that threatened to discourage scholars and researchers from making any use, fair or foul, of unpublished materials and that led Congress in 1992 to amend the 1976 Act to underscore the continued vitality of fair use of unpublished works.

The great question since 1992 has been whether the amendment will succeed in removing the chill from legitimate use of such works, and whether courts will be more flexible in testing the merits of fair use defenses in this context. Although relevant decisions since 1992 have not been numerous, there are distinctly favorable signs that courts are acquiring a new sensitivity to the fair use needs of scholars. Accordingly, Part IV of this comment surveys post- 1992 decisions that have involved the question of fair use of unpublished works.

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[12] *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994). The *Campbell* Court took the term "transformative use" from Pierre N. Leval's article, "Toward a Fair Use Standard," 103 *Harv. L. Rev.* 1105, 1111 (1990) ("Transformative uses may include criticizing the quoted work, exposing the character of the original author, proving a fact, or summarizing an idea argued in the original in order to defend or rebut it. They also may include parody, symbolism, aesthetic declarations, and innumerable other uses."). *See also* Leval, "Nimmer Lecture: Fair Use Rescued," 44 *UCLA L. Rev.* 1449, 1466 (stating that Campbell "revives the transformative-superseding dichotomy as the dominant consideration" and "reinstates fair use as an integral and essential part of copyright necessary to ... the encouragement of learning and the 'Progress of Science'"). The notion of fair use as transformative is not a product of recent times. Patry's useful survey of the early English cases involving fair use and fair abridgment (1740-1839) shows that courts from the beginning inquired as to whether a defendant had made productive, creative use of the plaintiff's work, as opposed to merely copying it. *See* Patry, *supra* note 8, at 6-18.

[13] *See* U.S. Const. art. I. § 8, cl. 8.

[14] 17 U.S.C. § 107 (1994).

[15] *See id.*

The conclusion addresses the scholar's predicament in the 1990s when the hostility and vigilance of literary estates remain an obstacle to the dissemination of serious research, and the reluctance of many publishers and editors to stand behind their authors' fair use privilege threatens to neutralize the beneficial changes wrought by recent decisional law. This comment concludes by arguing that, while the present judicial trend is a constructive one which ought to be encouraged, it must be supplemented by fair use advocacy on the part of publishers, editors, authors, librarians, and others who are intimately involved in the transformative uses that have historically justified the fair use privilege. To put it another way, the supralegal culture, no less than the legal one, must play its part in sustaining the vitality of fair use.

As the 1992 amendment serves to remind us, and as courts are now acknowledging, unpublished works form a rich part of our cultural heritage and must yield, within the constraints imposed by a limited monopoly, to the larger needs of society. If these works continue to be viewed solely in their character of private property, they will be prevented from participating fully in the creative ecosystem that generates new embodiments of expression, and the practical ends of Anglo-American copyright law will to that extent be frustrated. The immediate sufferers will be historians, biographers, scholars, and journalists; the ultimate victim will be society itself.

II. FROM COMMON LAW TO CODE: THE 1976 ACT

Prior to implementation of the 1976 Act, unpublished works enjoyed perpetual common-law copyright protection: the owner's right to exclude all others from the work.[16] The price paid by an author, her heirs, or assignees for such exclusive control was renunciation of economic benefit and acceptance of the work's obscurity,[17] for common-law protection lasted just so long as the copyright owner chose to withhold the work from publication.[18] Perpetual copyright meant perpetual eschewal of the public sphere. Under the Copyright Act of 1909 ("1909 Act"),[19] which was the predecessor of the 1976 Act, the act of publication with notice conferred federal statutory copyright on a work.[20] When the work passed from the locked drawer to the bookstore shelf, and once the formalities of notice, registration, and deposit[21] had been observed, common-law copyright was extinguished and statutory copyright began.[22]

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[16] *See* 17 U.S.C. § 2 (1976) (amended 1976, effective Jan. 1, 1978). The 1909 Act originated as Act of Mar. 4, 1909, ch. 320, 35 Stat. 1075, (amended by Act of July 30, 1947, ch. 391, 61 Stat. 652, amended Oct. 19, 1976, as Pub. L. No. 94-553, 90 Stat. 2541, effective Jan. 1, 1978). Prior to the effective date of the 1976 Act, copyright protection was administered through a dual system of jurisprudence, with federal courts deciding those cases that fell under statutory law and state courts deciding those that came under the common-law rule regarding unpublished works. The 1976 Act abolished the dual system and placed copyright works, published and unpublished, under federal protection. *See* Patry, *supra* note 8, at 132-33, 534-36; 1 Nimmer, *supra* note 4, § 2.02, at 2-18 to 2-19.

[17] Goldstein characterizes the author's choice between "divestitive publication" under the 1909 Act and perpetual common-law protection as "a bargain between author and society: An author could enjoy perpetual protection for her work so long as she did not seek economic rewards through the work's dissemination." 1 Goldstein, *supra* note 4, § 3.2.2., at 236-37. Goldstein also discusses the judicially-recognized exception to divestitive publication, whereby the copyright owner permitted distribution of copies of a work to a limited class of persons for a limited purpose. In such a case, the copyright owner had not surrendered control over further production of copies. *See id.* at 240.

Under the 1909 Act, statutory copyright afforded protection for a maximum of fifty-six years from the date of first publication.[23] The copyright owner exchanged her perpetual common-law rights for a limited monopoly, a monopoly qualified by an absolute temporal limitation, on the one hand, and by judicially-applied fair use, on the other. As long as a work remained unpublished, however, no unauthorized use could be a fair use.[24] Fair use simply did not exist for unpublished works; the doctrine enteredthe picture only when publication set the statutory machinery in motion.[25]

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[18] The right of exclusive control over an unpublished work was grounded squarely on the author's time-honored common-law right of first publication, a right recognized by British courts in the earliest cases. *See, e.g.*, *Millar v. Taylor*, 4 Burr. 2303 (K.B. 1769); *Donaldson v. Becket*, 4 Burr. 2408 (H.L. 1774) (discussed in Patry, *supra* note 8, at 4-5, 531 & n.622.) The right of first publication continues to be a potent consideration in our own time. The 1976 Act effectively embodied this right in the copyright owner's exclusive right to distribute copies of the copyright work. *See* 17 U.S.C. § 106(3) (making that work subject, like all exclusive rights granted to authors under § 106, to the fair use provisions of § 107). *See* also 1 Goldstein, *supra* note 4, § 1.6.3, at 33; 4 Nimmer, *supra* note 4, § 13.05[A][2][b], at 13- 179 n.172 ("[T]he right of first publication under Section 106 by its terms is limited by the right of fair use under Section 107; accordingly, there can be no categorical presumption against fair use for the Section 106 right of first publication."). The denial of the fair use defense to *The Nation* in its dispute with Harper & Row turned on the Supreme Court's conclusion that, in scooping *Time* magazine's planned publication of former President Ford's unpublished memoirs, *The Nation* had "effectively arrogated to itself the right of first publication, an important marketable subsidiary right." *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 549 (1985). *See also* Patry, *supra* note 8, at 135-37, 543-44 (discussing the ruling on right of first publication in *Harper & Row*).

[19] *See* 17 U.S.C. § 2 (1976) (amended 1976, effective Jan. 1, 1978).

[20] *See* 17 U.S.C. § 10 (1976) (amended 1976, effective Jan. 1, 1978). An exception existed under § 12 of the 1909 Act whereby statutory copyright could be acquired in certain types of unpublished works -- that is, works not reproduced for sale or distribution -- by means of deposit, with claim of copyright, of one complete copy of the work in the Copyright Office. *See* Leon H. Amdur, *Copyright Law and Practice* 439 (1936) (discussing the meaning and application of § 12 of the 1909 Act).

[21] *See* 17 U.S.C. §§ 10 - 13, 19 (1976) (amended 1976, effective Jan. 1, 1978).

[22] *See* 1 Nimmer, *supra* note 4, § 2.02, at 2-19, and § 4.01, at 4-3.

[23] *See* 17 U.S.C. § 24 (1976) (amended 1976, effective Jan. 1, 1978).

Fair use was not codified in the 1909 Act, but rather remained essentially what it had been since its inception in the English common law: an equitable doctrine, or rule of reason,[26] which courts applied on a flexible case-by-case basis in suits involving infringement. Prior to the 1976 Act, fair use was not a defense to an action for infringement of an unpublished work, since the exclusive common-law monopoly in such a work prevented that defense from arising in litigation.[27] But the 1976 Act changed all that. Not only did it codify the fair use doctrine;[28] it also brought unpublished works within its statutory scheme by abolishing the common-law distinction between published and unpublished works.[29]

The 1976 Act created this unified system by shifting the beginning of copyright protection from the act of publication to the moment of fixation in a "tangible medium of expression."[30] Under this scheme, once a work has acquired a final form and become "fixed" in some tangible medium, the copyright clock begins to tick and continues ticking for fifty years after the author has died.[31] With this momentous reconceptualization of copyright genesis, the legal distinction between the locked drawer and the bookstore shelf disappeared, for in either locus, public or private, a work enjoyed the benefits of statutory protection.[32]

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[24] Discussing the American inheritance of British copyright principles, Patry notes: "The division between common law and statutory copyright protection and the unavailability of fair use for unpublished works was continued in the United States." Patry, *supra* note 8, at 534.

[25] *See Stanley v. Columbia Broad. Sys.*, 221 P.2d 73, 78 (Cal. 1950) ("The common law prohibits any kind of unauthorized interference with, or use of, an unpublished work on the ground of an exclusive property right ... while a statutory copyright permits a 'fair use' of the copyright publication, without deeming it an infringement.").

[26] *See Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 448 (1984) (stating that fair use is an "equitable rule of reason"); *Time, Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130, 144 (S.D.N.Y. 1968) (noting that "[t]he doctrine is entirely equitable and is so flexible as virtually to defy definition"). Patry takes issue with these judicial characterizations of fair use as an equitable rule of reason, pointing out that many of the early fair use cases were brought at law. "It is therefore incorrect to characterize fair use as a child of equity." Patry, *supra* note 8, at 5.

[27] *See* Philip Wittenberg, *The Protection of Literary Property* 125 (1968) ("Before publication there can be no fair use of works protected under common-law copyright.").

[28] *See* 4 Nimmer, *supra* note 4, § 13.05, at 13-149 to 13-152; 2 Goldstein, *supra* note 4, § 10.1, at 188.

[29] *See* 17 U.S.C. §§ 104(a), 301(a) (1994). The statute also establishes special durational terms for works created but not published or copyrighted before January 1, 1978, the effective date of the 1976 Act. *See id.* § 303.

[30] *See id.* §§ 101, 102(a). Nimmer notes that fixation in a tangible medium is both a "statutory condition to copyright" and a "constitutional necessity," since "unless a work is reduced to tangible form it cannot be regarded as a 'writing' within the meaning of the constitutional clause authorizing federal copyright legislation." 1 Nimmer, *supra* note 4, § 2.03[B], at 2-30.2 to 2-30.3.

But were unpublished works subject to the newly codified fair use provision? The question does not admit of a simple answer. William F. Patry, the noted fair use commentator, argues that "Congress intended to continue the common law prohibition against fair use of unpublished but not voluntarily disseminated works."[33] Others believe that the drafters of the 1976 Act contemplated at least a narrow applicability of fair use to unpublished works.[34] Whether fair use and unpublished works, kept asunder by the common law, would be allowed to confront each other in the statutory arena was, as it turned out, a question that the courts would have to answer. With the enactment of the 1976 Act, a limited monopoly had come to unpublished works, but did those limitations include fair use? The progress of scholarship might well depend on the answer to that question.[35]

III. The Big Chill: *Harper & Row* and Its Progeny

Although the 1976 Act guaranteed published and unpublished works equal protection under statutory law, the courts quickly showed themselves reluctant to recognize that equality where fair use was concerned. In 1977, Harper & Row acquired publishing rights to former President Gerald

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[31] *See* 17 U.S.C. § 302(a) (1994). But *see supra* note 3 and accompanying text.

[32] *See* 1 Goldstein, *supra* note 4, § 3.3, at 254 ("The 1976 Copyright Act substantially preempted common law copyright, thus virtually eliminating any role for divestitive publication [that is, publication that divested a copyright owner of its common-law copyright]. Because the Act made statutory protection attach upon a work's fixation in a copy or phonorecord, it also substantially reduced the role of investitive publication [publication that, if made with the statutorily required notice, invested the work with statutory copyright].").

[33] Patry, *supra* note 8, at 535. Among relevant legislative history materials is the following passage: "The applicability of the fair use doctrine to unpublished works is narrowly limited since, although the work is unavailable, this is the result of a deliberate choice on the part of the copyright owner. Under ordinary circumstances the copyright owner's 'right of first publication' would outweigh any needs of reproduction...." Patry, *supra* note 8, at 134 & n.163 (quoting S. Rep. No. 94-473, at 64 (1975)).

[34] That § 107 of the 1976 Act "does not distinguish between the fair use of published and unpublished works ... is evidence that fair use may be applicable to unpublished works." James Adkins, "Note, Fair Use and Unpublished Works: Public Law 102-492 -- An Amendment to the Fair Use Statute," 38 *St. Louis U. L.J.* 231, 236 (1993-94).

[35] Certain scholarly groups, such as the American Historical Association, played an active role in Congressional deliberations leading up to the 1976 Act. *See* Patry, *supra* note 8, at 537-41.

Ford's memoirs.[36] Two years later, the firm, as the copyright holder, granted *Time* magazine a prepublication license to print an excerpt from Ford's account of his pardon of former President Richard Nixon.[37] Shortly before the *Time* article was scheduled to appear, however, an editor of *The Nation* obtained an unauthorized copy of Ford's manuscript and scooped *Time* by publishing in *The Nation* an article containing verbatim quotations from the manuscript.[38] As a consequence, *Time* aborted its plan to publish the article and refused to pay Harper & Row the balance under the licensing agreement.[39] In the copyright infringement suit that followed, the U.S. District Court for the Southern District of New York ruled in favor of Harper & Row, but the Second Circuit Court of Appeals reversed, holding that *The Nation's* scoop was a fair use of the copyrighted though as yet unpublished manuscript.[40] The Supreme Court granted *certiorari* and reversed the Second Circuit.[41]

Justice O'Connor's majority opinion pointed to the unpublished nature of Ford's memoirs as a "'key, though not necessarily determinative, factor' tending to negate a defense of fair use,"[42] and placed particular emphasis on the author's "right to control the first public appearance of his undisseminated expression."[43] In this case, the second fair use factor--the nature of the protected work--weighed heavily in favor of the petitioners, Harper & Row. The work's unpublished nature along with the copyright holder's corresponding right of first publication persuaded the majority that "the scope of fair use is narrower with respect to unpublished works."[44] In a strong and lengthy dissent, Justice Brennan argued that *The Nation's* scooping of *Time* was noninfringing in that its article was based in large part on unprotected information and ideas, and that its quotation of 300 words from a 200,000-word manuscript was minimal and justified by the purpose of news reporting. He concluded that the majority Court "adopted an exceedingly narrow view of fair use in order to impose liability for what was in essence a taking of unprotected information."[45]

The dramatic facts of *Harper & Row* make it something of an anomaly among cases involving the question of fair use of unpublished works. *The Nation's* aggressive scooping of its competitor and the costly collapse of *Time's* licensing agreement with Harper & Row virtually guaranteed a reversal of the Second Circuit. Judicial chivalry would not permit the Supreme Court to give assistance to a journalistic predator hiding behind a defense of fair use, whatever the merits of that defense. Harper & Row's atypicality made it a particularly unfortunate precedent for scholars, biographers, and historians, whose use of unpublished materials is usually much less aggressive and piratical than was *The Nation's*. The fear expressed in Justice Brennan's dissent that the Court was introducing "a categorical presumption against prepublication fair use"[46] was realized two years later in *Salinger v. Random House, Inc.*, where the Second Circuit, its wrist still smarting from the slap administered in *Harper & Row*, reversed the lower court's denial of a preliminary injunction to author J.D. Salinger.[47]

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[36] *See Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 542 (1985).

[37] *See id.*

[38] *See id.* at 542-43.

[39] *See id.* at 543.

[40] *See id.* at 542.

[41] *See id.*

[42] *Harper & Row*, 471 U.S. at 554 (quoting S. Rep. No. 94-473, at 64 (1975)).

[43] *Id.* at 555.

[44] *Id.* at 564.

[45] *Id.* at 604 (Brennan, J., dissenting).

The famously reclusive Salinger sought a preliminary injunction restraining Random House from distributing Ian Hamilton's unauthorized account of his life.[48] Hamilton, a serious and well-known writer, had drawn heavily upon unpublished letters by Salinger which had been deposited by the recipients or their representatives in various academic research libraries.[49] Salinger, who had somehow received a copy of galleys of the biography prior to its publication, demanded that the book not be released until all quotations from unpublished letters were expunged. Hamilton responded by substantially reducing the amount of direct quotation through rewriting and paraphrasing.[50] Salinger was not placated, however, and promptly brought suit in the Southern District of New York.[51] Finding that the vast majority of material used by Hamilton was information and ideas not protected by copyright,[52] and that the remaining instances of quotation or paraphrase were excused under the doctrine of fair use,[53] Judge Leval denied Salinger's application for a preliminary injunction.[54]

Judge Leval held that the Supreme Court in *Harper & Row* "neither stated nor implied a categorical rule barring fair use of unpublished works."[55] In his view, the Court kept the door of fair use appreciably ajar with respect to unpublished materials. On appeal, however, a two-judge panel of the Second Circuit seemed to slam that door shut by holding that Harper & Row had in fact

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[46] *Id.* at 595 (Brennan, J., dissenting).

[47] *See Salinger v. Random House, Inc.*, 811 F.2d 90, 90 (2d Cir. 1987), *rev'g* 650 F. Supp. 413, 417, 428 (S.D.N.Y. 1986).

[48] *See Salinger*, 811 F.2d at 92.

[49] *See id.* at 93.

[50] *See id.*

[51] *See id* at 94

[52] *See Salinger*, 650 F. Supp. at 418.

[53] *See id.* at 423.

[54] *See id.* at 428.

[55] *Id.* at 421.

"underscored the idea that unpublished letters normally enjoy insulation from fair use copying"[56] and that "such works normally enjoy complete protection against copying any protected expression."[57] Rejecting Judge Leval's calculus of unprotected expression in the letters and finding instead "a very substantial appropriation"[58] of copyrighted material, the Second Circuit reversed and remanded with directions to issue a preliminary injunction.[59] The phrases "normally enjoy complete protection" and "normally enjoy insulation" reflected an exaggerated interpretation of the Supreme Court's position in *Harper & Row* -- a marked rigidification which the vast factual differences of the two cases did nothing to soften. With *Salinger*, a chilly season commenced for scholars.

Judge Leval was not to be defeated so easily, however. One year after *Salinger*, he was once again required to rule on the fair use of unpublished materials in an unauthorized biography, this time a harsh critique of the life of L. Ron Hubbard, founder of the Church of Scientology and the theory of Dianetics.[60] New Era Publications International, a holder of the deceased Hubbard's copyrights, sought a permanent injunction barring distribution by Henry Holt and Company of a second printing of Russell Miller's biography of Hubbard, contending that the book contained numerous infringing quotations from Hubbard's unpublished writings.[61]

In a lengthy opinion, Judge Leval struggled mightily to reconcile the harsh rule of *Salinger* with the more moderate interpretation of fair use in *Harper & Row*. The Second Circuit's phrase "normally enjoy complete protection" should be read with an emphasis on "normally," he gamely suggested, for it merely pointed to "the diminished likelihood that fair use will be found in a copying of unpublished material, not impossibility."[62] "As to the [Hubbard biography] overall," he noted, "were it not for the ruling of the Court of Appeals in *Salinger*, I would conclude that fair use had been adequately demonstrated."[63] But, given *Salinger's* "strong presumption against a finding of fair use for unpublished materials,"[64] he had little choice. Concluding that only a handful of quotations infringed New Era's copyrights and expressing concern over free speech interests, Judge Leval denied an injunction[65] and awarded damages.[66] The doctrine of first publication rights, he remarked, should not be "perverted into the service of suppression of important critical or historical inquiry."[67]

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[56] *Salinger*, 811 F.2d at 95.

[57] *Id.* at 97.

[58] *Id.* at 98.

[59] *See id.* at 100.

[60] *See New Era Publications Int'l v. Henry Holt and Co.*, 695 F. Supp. 1493, 1497, 1508 (S.D.N.Y. 1988), *aff'd* on other grounds, 873 F.2d 576 (2d Cir. 1989), *reh'g denied*, 884 F.2d 659 (2d Cir. 1989).

[61] *See New Era*, 695 F. Supp. at 1497.

[62] *Id.* at 1503. In his influential article, Judge Leval reiterated his expansive interpretation of the Second Circuit's use of "normally," saying that "[h]owever extreme [the court's] formulation may be, the word 'normally' suggests that in the unusual instance fair use may be made of unpublished matter." Leval, "Toward a Fair Use Standard," *supra* note 12, at 1118.

[63] *New Era*, 695 F. Supp. at 1524.

When New Era appealed from the denial of injunctive relief,[68] the Second Circuit panel responded with a majority opinion that left no doubt that a high-toned judicial brawl was in progress. While the Second Circuit affirmed the judgment of the district court, it rejected Judge Leval's rationale and concluded that laches was "the sole bar to issuance of an injunction."[69] Speedily dispensing with its affirmance, the court proceeded to criticize Judge Leval's findings in what amounted to several pages of reproving dictum. In particular, the Second Circuit rejected Judge Leval's distinction between use of protected expression merely to "enliven" a text and use of protected expression to communicate "significant points" about the subject, stating flatly that "[w]here use is made of materials of an 'unpublished nature,' the second fair use factor has yet to be applied in favor of an infringer, and we do not do so here."[70] In stronger language than it had yet used, the Second Circuit declared that its analysis in Salinger "creates a daunting obstacle to a fair use defense against the use of unpublished materials.[71] The *New Era* court seemed to be moving well beyond the case actually before it and issuing a warning to all aspiring fair users.

Perceiving the minatory quality of his colleagues' language, Chief Judge Oakes in a concurring opinion worried that the majority's dictum "tends to cast in concrete *Salinger v. Random House*"[72] and gives the impression that where a copyrighted work is unpublished, "protection follows as of course."[73] Joining Judge Leval in his effort to recover the moderate ground of *Harper & Row*, Chief Judge Oakes argued that the Supreme Court's position on fair use of unpublished works had "implicitly renounced a per se rule."[74] A few months later, in denying the prevailing party Holt's

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[64] *New Era*, 695 F. Supp. at 1524.

[65] *See id.* at 1528.

[66] *See id.* at 1527.

[67] *Id.* at 1503.

[68] *See New Era Publications Int'l v. Henry Holt and Co.*, 873 F.2d 576, 577-78 (2d. Cir. 1989).

[69] *Id.* at 577.

[70] *Id.* at 583.

[71] *Id.* at 582.

[72] *Id.* at 585.

[73] *Id.* at 587.

[74] *New Era Publications Int'l*, 873 F.2d at 593.

"unprecedented" petition for a rehearing en banc occasioned by its dissatisfaction "with certain nondispositive language"[75] in the *New Era* opinion, the Second Circuit took the opportunity to back slightly away from its uncompromising position, stating that *Harper & Row* "teaches that unpublished copyrighted material very rarely will be the subject of fair use."[76] A dissent led by Judge Newman summed up the growing climate of concern[77] by noting "the need to avoid misunderstanding on the part of authors and publishers as to the copyright law of this Circuit -- misunderstanding that risks deterring them from entirely lawful writings in the fields of scholarly research, biography, and journalism."[78] But the precedential pattern was unmistakable: *Harper & Row, Salinger, New Era*. With each decision, a per se rule banning fair use of unpublished works seemed to loom more menacingly.

In 1992, Congress responded to *Salinger* and *New Era* by amending § 107 of the 1976 Act to add the following clarification: "The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above [fair use] factors."[79] The amendment's economical language drove straight to the heart of the problem that had been developing in the case law. The phrase "shall not itself bar" addressed the virtual per se rule against fair use of unpublished works; the reminder that courts should consider "all of the above factors" pointed to the importance of an equitable balancing of all the circumstances of a given use. If, in codifying fair use, the 1976 Act had unwittingly encouraged a rigidification of the flexible common-law doctrine -- a doctrine that had been applied by judges for nearly three centuries -- then the 1992 mendment sought to restore equitable play to the doctrine's joints.[80] What the statute had unintentionally wrought, the amended statute now strove to undo.

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[75] *New Era Publications Int'l v. Henry Holt, Co.*, 884 F.2d 659, 660 (2d Cir. 1989).

[76] *Id.*

[77] In 1990, Judge Leval stated that after *Salinger* and *New Era*, "publishers [were] understandably reluctant to pay advance royalties or to undertake commitments for biographical or historical works that call for use of [unpublished letters]." Leval, "Toward a Fair Use Standard," *supra* note 12, at 1107. In contrast, Patry believes that "[t]he reaction of some in the publishing industry to *Salinger* and *New Era* was hysterical," and wonders whether some of this reaction was intended "to create a climate of fear that would then be used to justify legislation." PATRY, *supra* note 8, at 547-48.

[78] *New Era*, 884 F.2d at 662 (Newman, J., dissenting). Patry notes that the Second Circuit "was obviously polarized and the disagreements spilled out in a remarkable series of articles and congressional testimony by Judges Leval, Miner, Newman, and Oakes." PATRY, *supra* note 8, at 99.

[79] 17 U.S.C. § 107 (1994). *See* Leval, "Nimmer Lecture: Fair Use Rescued," *supra* note 12, at 1462 n.48 (stating that the Act of Oct. 24, 1992, was "intended to reject the Second Circuit's reasoning in *Salinger* and *New Era*").

IV. SIGNS OF THAW IN POST-AMENDMENT CASE LAW

One year before the passage of the 1992 amendment, the Second Circuit in *Wright v. Warner Books, Inc.*[81] made its own effort to modify the severity of the virtual per se rule. A dispute had arisen between author Richard Wright's widow and Wright's biographer, Margaret Walker, over Walker's use of extensive quotations from the author's published and unpublished writings.[82] Denied permission to quote any material, Walker rewrote portions of her manuscript to reduce her dependency on direct quotation, and the biography was published by Warner Books in 1988.[83] Ellen Wright thereupon brought an action for copyright infringement and other claims, challenging in particular Walker's use of the author's unpublished letters and journal entries.[84] Walker had discovered much of this material at Yale University's Beinecke Library; other material she had drawn from letters that she herself received from Richard Wright many years earlier.[85] The facts sufficiently resembled those in Salinger to make their revisitation by the New York federal courts an event that was keenly watched by scholars and fair use advocates.

The U.S. District Court for the Southern District of New York granted summary judgment in favor of Walker and Warner Books and dismissed Wright's claims.[86] On appeal, the Second

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[80] *See* generally S. Rep. No. 102-141, 102d Cong., at 5-6 (1991) (explaining Congress' intention in passing the 1992 amendment). "[W]e intend to roll back the virtual per se rule of Salinger and New Era, but we do not mean to depart from *Harper & Row*." 1 Nimmer, *supra* note 4, § 13.05 [[A][2][b], at 13-177 n.202 (quoting S. Rep. No. 102-141). *See also* 4 Nimmer, *supra* note 4, § 13.05[A][2][b], at 13-175, to § 13.05[A][3], at 13-178 (discussing the 1992 amendment and describing it as a response to the Second Circuit's "bright line rule against fair use of unpublished excerpts"). But *see* Patry, *supra* note 8, at 548 (describing the 1992 amendment as "a very modest amendment that affirms *Harper & Row's* treatment of unpublished works, endorses the Second Circuit's decision in *Wright v. Warner Books*, does not reverse *Salinger* or *New Era*, and instead merely cautions the courts not to erect a per se rule barring fair use based only on the unpublished nature of the work").

[81] 953 F.2d 731 (2d Cir. 1991), *aff'g* 748 F. Supp. 105 (S.D.N.Y. 1990).

[82] *See Wright*, 953 F.2d at 734.

[83] *See id.*

[84] *See id.*

[85] *See id.*

[86] *See Wright*, 748 F. Supp. at 107.

Circuit affirmed the lower court while disagreeing with aspects of its analysis.[87] Noting that the purpose of Walker's biography was scholarly and transformative, and that her use of the author's creative expression was "sparing,"[88] the Second Circuit found that the balance of fair use factors tipped in the defendant's favor, even though the unpublished nature of the quoted materials weighed for the plaintiff. The majority opinion stressed that the Second Circuit's precedents "leave little room for discussion of this factor [nature of the copyrighted work] once it has been determined that the copyrighted work is unpublished,"[89] and aimed a barb at the lower court for giving "insufficient weight to the unpublished status of the letters and journal entries" in this case.[90]

More significant than this rather mechanical reaffirmation of its position on unpublished works, however, was the majority's assurance that neither *Salinger* nor any other case had "erected a per se rule regarding unpublished works. he fair use test remains a totality inquiry, tailored to the particular facts of each case."[91] In a judicial narrative in which dicta had come to play as large a role as actual decisions in shaping precedent, this superficially throwaway remark added an important new chapter to the ongoing story. Moreover, it represented an acknowledgment by the bench that, despite the codification of fair use in the 1976 Act, the doctrine should retain its essential common-law character as an equitable inquiry. In this respect, the Wright opinion accorded with Congress's contemporaneous efforts to craft an amendment to § 107, and the House Committee was quick to applaud Wright for returning to the more balanced fair use analysis of Harper & Row.[92]

That the New York courts seemed to be reaching an entente as to the purpose of fair use of unpublished works did not mean that defendants in copyright infringement actions would automatically prevail in that jurisdiction, as was made clear in *Lish v. Harper's Magazine Foundation*.[93] Harper's had printed, without authorization, a large portion of an unpublished letter by writer and teacher, Gordon Lish, who responded by bringing an infringement action in the Southern District of New York.[94] The court, in finding for Lish, ruled that the commercial character of Harper's use and the unpublished nature of the letter weighed against a fair use defense.[95] The court engaged in only perfunctory discussion of Harper's use of unpublished material, however, and observed of the recent amendment to § 107 that, even if it had "retroactive application" to the instant case, "it would not produce a different result."[96] The outcome of *Lish* was entirely unsurprising. Harper's unauthorized printing of the letter, which had been passed to the magazine's executive editor by one of its freelance "stringers,"[97] smacked of the piratical and recalled the more spectacular claim- jumping in *Harper & Row*. Scholarly fair use would have to await a post- amendment case with more typical facts for its vindication.

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[87] *See Wright*, 953 F.2d at 734.

[88] *Id.* at 739.

[89] *Id.* at 737.

[90] *Id.*

[91] *Id.* at 740.

[92] *See* Jennifer Leman, "Note, The Future of Unpublished Works in Copyright Law After the Fair Use Amendment," 18 *J. Corp. L.* 619, 643-44 (1993) (noting that the Senate agreed with the House that *Wright* had struck the proper balance established by *Harper & Row*).

[93] 807 F. Supp. 1090 (S.D.N.Y. 1992).

[94] *See id.* at 1092-93.

A candidate appeared in *Norse v. Henry Holt and Company* ("*Norse I*").[98] This time, the California courts would have their turn. Harold Norse, a minor Beat poet, brought a copyright infringement action against biographer Ted Morgan and publisher Henry Holt and Company for the unauthorized use of several phrases from Norse's unpublished letters in Morgan's account of the life of the writer William S. Burroughs.[99] Morgan had discovered the letters at New York University's Fales Library.[100] The federal district court granted summary judgment in favor of the defendants on the infringement claim and other counts.[101] On appeal, the Ninth Circuit, dissatisfied with the ground on which the district court reached its decision regarding infringement, reversed on that claim alone and remanded for a full inquiry into the defendants' fair use defense.[102] The Ninth Circuit's charge to the lower court was carefully worded to stress the equitable nature of the fair use doctrine as well as its role in stimulating the very creativity that the copyright law is designed to foster.[103]

The district court took the hint admirably. Defining fair use as a doctrine that "enables authors, other than the copyright owners, to reasonably use copyrighted material without the copyright owner's consent,"[104] Judge Legge proceeded to discuss each of the four statutory factors in relation to the defendants' assertions. With regard to the purpose of Morgan's quotations, the

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[95] *See id.* at 1101, 1102.

[96] *Id.* at 1101 n.10.

[97] *Id.* at 1093.

[98] 991 F.2d 563 (9th Cir. 1993).

[99] *See id.* at 565.

[100] *See id.*

[101] *See id.*

[102] *See id.* at 568-69.

[103] *See id.* at 566.

[104] *Norse v. Henry Holt and Co.*, 847 F. Supp. 142, 144-45 (N.D. Cal. 1994) (*Norse II*).

Norse II court pointed to the scholarly character of the biography[105] and distinguished Morgan's use from that of *The Nation* in *Harper & Row* by noting that Morgan's "copying is essentially nonexploitive and the commercial aspect of its use is of minimal significance."[106] The court's discussion of the nature of the copyrighted work was brief but pregnant with significance. After citing *Harper & Row* and *New Era* for their restrictive approach to fair use of unpublished works, Judge Legge succinctly noted that, although this factor favored the plaintiff Norse in the instant case,Congress in its recent amendment to § 107 "explicitly provided that the fair use defense may apply to unpublished work if the fair use finding is made upon consideration of all four factors."[107]

The rhetorical structure of Judge Legge's analysis of the second factor -- citation of prior case law; brief, subordinated mention of the plaintiff's prevailing on this factor; pointed recitation of the language of the 1992 amendment -- indicated the presence of a fresh judicial perspective on a test that had become so routine in the courts as to be nearly ritualized. Although Judge Legge's manifest message was that the letters' unpublished nature favored the plaintiff, the organization of the passage strongly hinted that the virtual per se rule must be re-examined in the light of the new statutory language. Even though copied expression is unpublished, the passage seemed to say, the second factor should not be allowed to foreclose the possibility of fair use. In the same spirit, the *Norse II* court concluded that "[t]he public will benefit" from Morgan's biography,[108] and accordingly granted the defendants' motion for summary judgment, dismissing the plaintiff's infringement claim.[109]

Another significant contribution to the growing body of post-amendment case law is a cluster of decisions involving Internet copying of the unpublished works of L. Ron Hubbard. Since *New Era*, the Church of Scientology and its copyright holders have aggressively opposed the copying of Hubbard's works by a variety of users, including journalists and disaffected Church members. As in *New Era*, the plaintiff in these actions -- Religious Technology Center ("RTC") -- held a license to Hubbard's copyrights. The alleged primary infringers were former members of the Church who posted Hubbard's writings on the Internet for the purposes of discussion and criticism. The convergence of cyberspace technology and copyright law has given these cases a special contemporary relevance, for the role of the fair use doctrine in Internet copying and the paradox of "unpublished" works that may be accessed electronically throughout the world at the stroke of a key are questions which copyright jurisprudence has just begun to address.[110]

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[105] *See id.* at 146.

[106] *See id.*

[107] *See id.*

[108] *See id.* at 147.

[109] *See id.* at 148.

[110] *See, e.g.*, Paul Goldstein, *Copyright's Highway: From Gutenberg to the Celestial Jukebox* 197-236 (1994) (discussing digital technologies and their implications for copyright law).

In *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*,[111] RTC and another Church-affiliated organization brought an infringement action against Dennis Erlich, a former Scientology minister turned critic of the Church, who had posted Hubbard's published and unpublished works to an Internet discussion group. In considering RTC's motion for a preliminary injunction, Judge Whyte examined the likelihood of Erlich's prevailing on a fair use defense and concluded that, while the second factor (nature of the copyrighted work) weighed in Erlich's favor where Hubbard's published works were concerned, the factor favored RTC with respect to the unpublished writings.[112]

As with the *Norse II* opinion, however, the *Netcom* court's language indicated a change of judicial attitude towards the virtual per se rule. After citing the "narrower scope" language of *Harper & Row*, Judge Whyte noted, by way of dictum, that the courts in *Wright* and *Norse II* had found fair use where portions of unpublished letters were copied by biographers, and went on to state that Congress had amended § 107 "to clarify that the unpublished nature of a work should not itself bar a finding of fair use."[113] Although Judge Whyte concluded that, on balance, Erlich should be enjoined from further unauthorized copying of Hubbard's works -- except insofar as such copying might accord with fair use[114] -- his discussion of fair use of unpublished works reprised the rhetorical structure of Judge Legge's analysis in *Norse II*, similarly implying that a revisionary approach to the virtual per se rule was in order.

In *Religious Technology Center v. Lerma* ("*Lerma I*"),[115] the U.S. District Court for the Eastern District of Virginia availed itself of the same rhetorical pattern in denying RTC's motion to enjoin the *Washington Post* from copying Hubbard's writings.[116] Named as a co-defendant in an action brought against Arnaldo Lerma -- another disaffected Church member who had transmitted

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[111] 923 F. Supp. 1231 (N.D. Cal. 1995).

[112] *See id.* at 1245-46. In a connected case, the same court denied RTC's motion for a preliminary injunction against the computer bulletin board service and Internet access provider which Dennis Erlich had used to disseminate Church documents. *See Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1383 (N.D. Cal. 1995). In a similar action, a Colorado federal court denied RTC's motion for a preliminary injunction against a non-profit archive and bulletin board service run by former Scientologists, noting the likely success of a fair use defense and the potential harm to the public interest. *See Religious Tech. Ctr. v. F.A.C.T.NET, Inc.*, 901 F. Supp. 1519, 1526-27 (D. Colo. 1995).

[113] Netcom, 923 F. Supp. at 1245.

[114] *See id.* at 1258.

[115] 897 F. Supp. 260 (E.D. Va. 1995).

[116] *See id.* at 267. In a connected case, the same court denied RTC's motion for summary judgment in its infringement action against the *Washington Post* and two of its reporters, calling RTC's motivation in filing the suit "reprehensible" and awarding attorney's fees to the defendants. *See Religious Tech. Ctr. v. Lerma*, 908 F. Supp. 1362, 1367-68 (E.D. Va. 1995).

Church documents over the Internet -- the Post had obtained its copies of the same documents from a public court file in California and published minimal excerpts in a newspaper article[117] Defining fair use as "designed to balance the exclusive rights of the copyright holder with the public's interest in dissemination of information,"[118] Judge Brinkema found that "[t]he balance of harms is heavily tilted towards the defendants"[119] and denied RTC's motion for a preliminary injunction. Once again, as in *Norse II* and *Netcom*, the court acknowledged the "narrower scope" rule of *Harper & Row*, then proceeded to distinguish that case and its "scooping" facts from the *Post's* more typical news gathering activities, and concluded with a recitation of the 1992 amendment to § 107.[120] Employing a phrase that fair use advocates had perhaps despaired of encountering in a post-*Salinger* opinion, Judge Brinkema noted that the unpublished nature of the Church's documents "plays a minimal role in this Court's consideration."[121]

That the new judicial trend will not insulate every defendant from the consequences of unauthorized copying of unpublished works is strikingly illustrated by *Religious Technology Center v. Lerma* ("*Lerma II*"),[122] in which RTC successfully moved for summary judgment against Arnaldo Lerma and was awarded statutory damages[123]. Unlike the *Washington Post* in *Lerma I*, decided a year earlier, Lerma had transmitted substantial quantities of Church documents through cyberspace for reasons that the court deemed to be "non- neutral and non-scholarly."[124] With respect to the unpublished nature of the documents, Judge Brinkema invoked the restrictive language of *Harper & Row*, *Salinger*, and *New Era* in finding against Lerma, and conspicuously omitted any mention of the 1992 amendment to § 107.[125] As the two faces of Judge Brinkema show, *Harper & Row* and its progeny are very much alive and well when it comes to a defendant whose actions and motives deviate from the modest, judicious copying typically engaged in by scholars and news reporters.

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[117] *See* Lerma I, 897 F. Supp. at 262.

[118] *Id.* at 263.

[119] *Id.* at 267.

[120] *Id.* at 264.

[121] *Id.*

[122] No. CIV.A.95-1107-A, 1996 WL 633131, at *1 (E.D. Va. Oct. 4, 1996).

[123] *See id.* at *13-*16.

[124] *See id.* at *6.

[125] *See id.* at *7-*8.

V. CONCLUSION: A MIXED FORECAST FOR SCHOLARS

The winter of discontent for scholars, biographers, and historians, though by no means assuredly over, has become less harsh since 1992. A new series of precedents has emerged to moderate the chill of *Harper & Row* and its progeny. Far-flung, tentative, factually diverse though they may be, the decisions beginning with *Wright* and continuing through *Norse I* and *II*, *Netcom*, and *Lerma I* have responded to the threat of a virtual per se rule banning fair use of unpublished works.

The watershed event, clearly, was the passage of the 1992 amendment to § 107 of the 1976 Act. The amendment's goal of restoring to judicial decision-making the time-honored flexibility of the equitable doctrine of fair use has been realized in the *Norse* and *Lerma* opinions. Scholars may take heart in *Wright* and *Norse II* in particular, for the facts in those cases are typical of the vast majority of serious projects: modest quotation of unpublished materials that have been made available through a research library. The seeming paradox of a copyright owner's refusing permission to quote from publicly accessible documents -- sometimes from documents that she herself has sold to the library -- is, of course, an inevitable consequence of copyright law's severance of intangible rights from physical property rights,[126] but it is a paradox made more tolerable by the availability of the fair use privilege and by prudent judicial application of the doctrine.

The twofold social function of the fair use doctrine, referred to at the outset of this comment, takes on a special relevance in the new judicial climate. The line of cases beginning with *Wright* bids fair to vitalize the second, specifically legal purpose of the doctrine: its operation as an affirmative defense to a claim of infringement. Its initial purpose, however, is the prelegal, indeed supralegal one of fostering a climate of mutual tolerance and understanding among authors, heirs, scholars, and other members of the copyright ecosystem. The progress of science and useful arts depends vitally on the robust participation of the members of this ecosystem as well as on their ability to exercise self-restraint. Righteous self-assertion and negative capability must work together to achieve a delicate balance.

In the ideal ecosystem, original expression would retain its character of private property yet lose some of its aura of exclusivity in the dynamic process of socialization. Such a process might be thought of as the sociology of copyright: the collective practices that make up the institution of creating, owning, and using original expression. The much-discussed question of whether, ultimately, there can be such a thing as original expression[127] is beyond the scope of this comment, but it might be suggested in passing that the transformative character of fair use is really a feature of all creativity, and that original expression is therefore a fiction in two senses. The individual talent is inconceivable apart from an enabling tradition. As T.S. Eliot remarked: "Someone said: 'The dead writers are remote from us because we know so much more than they did.' Precisely, and they are that which we know."[128] Although such a claim is anathema to the essentially Romantic myth of sovereign selfhood that sustains our faith in original expression, it is concretely arguable that, far from being a mere exception to genuine creativity, transformative use is the unacknowledged condition of all expression. Fair use -- and foul -- has been central to the operation of the creative spirit. Or, to use terms more typical of copyright jurisprudence, the creator/user dichotomy begins to dissolve when it is recalled that creators are inevitably users.

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[126] *See* 17 U.S.C. § 202 (1994). The paradox is particularly striking in *Wright*, where the quotations whose publication the plaintiff, Richard Wright's widow, sought to enjoin were from letters that she herself previously sold to Yale's Beinecke Library -- a research institution open to the public. *See* Patry, *supra* note 8, at 99.

[127] In copyright law, "originality" does not, strictly speaking, refer to artistic creativity or genius, but merely to the requirement that protectible expression actually have originated with the author -- that is, that the author did not copy the expression from another source. *See* 1 Nimmer, *supra* note 4 § 2.01 [A], at 2-9. Yet even this neutral sense of originality, which presupposes an individual

In order to achieve its supralegal purpose of fostering a lively sense of the interdependence of owners and users, the fair use doctrine requires the cooperation of publishers and editors no less than that of other members of the copyright ecosystem. At a time when authors' estates are more than ever jealous of their privacy and revenues, and are taking an increasingly active role in asserting those rights, scholars stand in need of more than the legal protections of the fair use doctrine: they also require the good-faith assistance of their publishers and editors. Alluding to the heightened vigilance of literary estates, Judge Leval has aptly noted that "[a] ban on fair use of unpublished documents establishes a new despotic potentate in the politics of intellectual life -- the 'widow censor.'"[129]

All too often, university presses[130] require their authors to seek detailed permissions for quotations--published as well as unpublished -- that by any reasonable calculus fall within the

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generating his or her own forms of expression, has been challenged by literary theorists and critics, particularly in the context of Romantic literature. One recent trend in theory argues that authorial identity and originality are illusory constructs, and that original expression is in reality a text woven from conscious and unconscious influences and borrowings--that is, that original works are always in some sense copies. *See*, e.g., Roland Barthes, "The Death of the Author," in *Image/Music/Text* 146 (1977); Harold Bloom, *The Anxiety of Influence* (1973); Paul De Man, *The Rhetoric of Romanticism* (1984); Jacques Derrida, *Writing and Difference* (Alan Bass trans. 1978). For discussions of copyright in relation to notions of Romantic genius, *see* Diane Conley, "Author, User, Scholar, Thief: Fair Use and Unpublished Works," 9 *Cardozo Arts & Ent. L.J.* 15, 20-22 (1990); Martha Woodmansee, "The Genius and the Copyright: Economic and Legal Conditions of the Emergence of the 'Author'", 17 *Eighteenth-Century Stud.* 425 (1984).

[128] T.S. Eliot, "Tradition and the Individual Talent" (1919), reprinted in *Selected Prose of T.S. Eliot* 38, 40 (Frank Kermode ed., Harcourt Brace Jovanovich, 1975).

[129] Leval, "Toward a Fair Use Standard," *supra* note 12, at 1118.

[130] Several of the cases discussed in this comment -- *Harper & Row, Salinger, New Era*, and *Wright* -- involved trade publishers, not university presses, but the latter are in many respects even more central to the concerns of scholars and to their fair use needs. University presses publish the bulk of serious scholarly work in the United States and routinely encounter the demands of literary estates and copyright owners.

privilege of fair use. Frequently, a press will insist on permissions only after putting the author's manuscript through the lengthy process of evaluation, at which point the author, faced with Hobson's choice of beginning the entire process over with a new publisher who may be equally cautious, usually submits to the demands of the copyright owner. If the copyright owner requests a substantial fee, the university press, anticipating only a modest profit on the scholar's monograph, typically declines to share the cost of permissions. Many scholarly presses and journals subscribe to guidelines which arbitrarily fix the quantities and kinds of quotation that will qualify as "fair use."[131]

As long as academic presses and journals remain a weak link in the fair use chain, the progress of science and useful arts will suffer. The "keepers of the flame," as Ian Hamilton has styled hostile and obstructive estates like those of James Joyce[132] and Richard Wright, are emboldened by needless and unsolicited capitulations on the part of publishers.[133] (Of course, where an author has likely exceeded fair use, she should expect to seek permissions.) The recent advances in judicial attitudes towards statutory fair use, along with the courts' increasingly flexible application of the statute's language, will remain incomplete until publishers become correspondingly more enlightened and flexible in their dealings with scholars and estates. The dual role of the fair use doctrine in Anglo-American copyright jurisprudence requires this larger collaboration of forces for the full realization of culture. Where the creative wealth of nations is at stake, fair use is much more than a legal doctrine: It is a principle of wise husbandry and an agent of progress. When it functions vigorously, we grow as a society; when it atrophies, we are the poorer.

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[131] *See* Christopher Scarles, "Quote and Be Blessed," in *Textual Monopolies: Literary Copyright and the Public Domain* 133-37 (Patrick Parrinder and Warren Chernaik eds., 1997) (discussing arbitrary quotation guidelines adopted by publishers despite the doctrine of "fair dealing," the British counterpart of fair use).

[132] *See* Ian Hamilton, *Keepers of the Flame: Literary Estates and the Rise of Biography* 267-90 (1992) (discussing the history of the Estate of James Joyce); *see also* Bruce Arnold, *The Scandal of Ulysses* 64-86 (1991) (giving an account of the copyrights in Joyce's works and the role of the Joyce Estate since Joyce's death). In recent years, the Joyce Estate under the direction of Joyce's grandson, Stephen James Joyce, has taken a particularly scornful and obstructive stance towards scholars, considering them to be insulting to the memory of James Joyce and invasive of the Joyce family's privacy. For a sampling of the disputes that have arisen between the Joyce Estate and Joyce scholars, see Stephen Joyce, Letter to the editor, 30 *James Joyce Q*. 345, 345-49 (1993); James F. Clarity, "James Joyce Papers Go on Public Display For the First Time," *N.Y. Times*, Apr. 7, 1992, at B3; and Caryn James, "Joyce Family Letters in Literary Debate," *N.Y. Times*, Aug. 15, 1988, at B13. *See also* Patrick Parrinder, "Licensing Scholarship: Some Encounters with the Wells Estate," in *Textual Monopolies*, *supra* note 131, at 57-67 (discussing the difficulties experienced by one scholar with the H.G. Wells Estate, in the context of British "fair dealing").

[133] As Editor-in-Chief of the *James Joyce Quarterly*, published at the University of Tulsa, I have experienced the hostility of the James Joyce Estate at first hand. The Estate's open contempt for most Joyce scholars and its routine denial of permissions would make my work and that of the contributors to the journal impossible were it not for vigorous exercise of the fair use privilege.

copyright
crash course

Copyright Law
in
Cyberspace

Georgia Harper

Office of General Counsel
University of Texas System

Overview

- Why Do We Have Copyright?
  - Copyright's purpose
- When Does Copyright Become an Issue?
  - Copyright Basics
- How Does Analog Fair Use Apply to the Multimedia World?
- Performance Rights
- Specific Distance Learning Copyright Issues
  - Using materials from archives and special collections
  - I found it on the Internet
  - Digitizing analog images
  - Incorporating images into new works
  - Reserves
  - Licensing Resources
  - Merger of different kinds of works in multimedia
  - Creating derivative works
- Protecting Multimedia Creations
- Technology's Effect on Achievement of Copyright's Purpose

- Copyright Crash Course Tutorial
- Citations

Why Do We Have Copyright

Copyright affects everyone.

- Copyright's Purpose: To Improve Society Through Advancement of Knowledge
  - Balancing the rights of copyright owners with the rights of the public for access to and use of works
    - Incentive to authors
    - Limits on authors' rights to control and exploit works
    - Balance achieves copyright's constitutional purpose

What Makes Copyright an Issue?

The Crash Course in Copyright

If faculty members use others' works in the creation or *distribution of new materials, they need to think about Copyright.*

First, The Basic Scheme

- The Law Gives Certain Rights to Copyright Owners
- Fair Use is the "Play in the Joints"
- Sometimes We Have to Ask for Permission
- Sometimes We Are the Owners!

A Few Particulars

What Does Copyright Protect?

Original works of authorship fixed in a tangible medium of expression

- A person's unique way of expressing something
- Requires only a minimum amount of creativity
- Does not protect underlying ideas or facts

Leaving facts and ideas free for public use supports copyright's achievement of its purpose, if the public can gain access to the work.

When Does it Begin and End?

Today, it begins at the moment of fixation in a tangible medium of expression and ends at the expiration of 70 years after the death of the author. Different rules apply to older works, however, and there are special rules for works-for-hire.

- Protection is automatic
- Copyright notice is not required
- Registration is not required unless copyright owner wishes to bring suit
    - Registration benefits - statutory damages and attorneys' fees
- Terms of Protection
    - Works created during or after 1978
        - Life of the author plus 70 years
        - Works for hire: 95 years after publication or 120 years after creation, whichever is shorter
    - Works published before 1978
        - 95 years after publication
        - If published before 1964, 28 years after publication + 67 more years if renewed
    - Works created before 1978 but not published
        - Life of the author plus 70 years or 2003, whichever is longer

- Recent changes in Copyright Term Extension Act allow libraries to use certain works in their last 20 years of protection

When copyright terms were shorter and it required a definitive act to bring a work under federal protection, copyright law's balance favored public access and use (the public domain) more than it does today. These changes in the law evidence a strong shift in that balance.

What Does it Mean to Owners?

Owners have exclusive rights to make copies, create derivative works, distribute, display and perform works publicly. Certain artists have rights of integrity and attribution (moral rights) in original works of art or limited edition prints (200 or fewer).

These exclusive rights are an important part of the way copyright law achieves its purpose. Along with the term of protection, they provide an incentive to authors to create.

What Does it Mean to Users?

If the law protects a work you wish to use, you must ask for permission from the copyright owner unless your planned use is covered by one of the law's exemptions, such as fair use.

- Fair use (17 USC 107)
- Library's special exemption (108)
- First sale doctrine (109)
- Educational performances and displays (110)
- Software backups (117)
- Modifications for blind and disabled (121)

These limitations on copyright owners' rights, and others not mentioned here, are critical to the achievement of copyright's purpose. They are just as much a part of how copyright law improves our society by increasing knowledge as the incentive to authors.

What is Fair Use?

- Embodies First Amendment concerns: criticism, commentary, news reporting, teaching, reasearch and scholarship
- Addresses market failures: permits important uses that don't make economic sense

Both of these functions of fair use strongly support the achievement of copyright's purpose by permitting certain uses of works that do not significantly affect the owner's incentive. The fair use statute builds in to the fair use test ample consideration for the copyright owner's interests.

More on Ownership

Author is Usually the Owner

- More than one author may be joint owners of a work
    - Independently copyrightable contributions
    - Mutual intent that authors will be co-owners of the work
    - Childress v. Taylor; Erickson v. Trinity; Thompson v. Larson
    - Discussion in "Copyright Law in Cyberspace"

Employer is the Owner When:

- Work created by employee within scope of employment
- Work created pursuant to contract with assignment
- Work properly documented as a work-for-hire
- CCNV v. Reid
- Discussion in "Copyright Law in Cyberspace"

System Intellectual Property Policy

- Permits an author to own scholarly and educational works within field of expertise, unless the author was required to create the work
- If the University has an interest in scholarly or educational works, it should be set out in an agreement to avoid confusion and misunderstanding
    - Ownership interest;
    - Right to use;
    - Right to reimbursement of contribution; and/or
    - Right to share in proceeds

New Challenges

- Faculty members hired or required to create certain materials

  - Recent revisions to Section 2.3 and 2.4 of the U.T. System Intellectual Property Policy
  - Using an acknowledgement to clarify unusual circumstances

- Multimedia courseware
- Changing nature of authorship
  - Inter-institutional collaborations
  - Student contributions
  - Work-for-hire contributions (contract labor)
  - Non-faculty University employees
- Significant resource reimbursement
  - New Regental Policy on Copyright Management

- **The Copyright Crash Course Tutorial - Ownership Issues**
- **Copyright Law in Cyberspace - Scenario-based Discussion**

More on Fair Use

- **Section 107 of the Copyright Law includes illustrations of potential fair uses and describes four factors that must be taken into account in analyzing whether a use is fair.**

Examples: Criticism, comment, news reporting, teaching, scholarship and research

The four factors:

- Character of the use
- Nature of the material to be copied
- Amount and importance of the part copied
- Effect on market for permissions

Fair use is not a blanket exemption for educators. Fair use permits certain uses of certain works for certain purposes, taking the interests of the copyright owner into consideration in the evaluation of each of the four factors.

Getting Permission

- Collective Rights Organizations
- Contacting the Owner Directly
- What if the Owner Has Changed?
- Be Sure the Person Granting Permission Has Authority
- Should Permission be in Writing?
- What if you Have Difficulty Identifying the Owner?
- What if the Owner is Unidentifiable or Unresponsive?

Applying Analog Fair Use and Performance Rights to Distance Learning

If you plan to create distance learning materials for *limited use within your university, reliance on fair use is appropriate. If, on the other hand, you think you may commercialize the product, reliance on fair use should be quite limited.*

- Fair Use Is Not Just For Copies: It Applies to:
  - Making copies of copyrighted works
  - Making derivative works (for example, digitizing images)
  - Distributing works, including electronic distribution
  - Displaying and performing works publicly
- Normally, Cases Help Us Understand Fair Use in Various Contexts

But, No Cases Directly Address Fair Use or Transmission of Others' Works in *a Multimedia Creation*

- Commercial fair use cases - trend is towards narrowing the scope of fair use (Texaco; Kinko's; Michigan Document Services; Los Angeles Times v. Free Republic)
- On the other hand, Sega/Nintendo cases indicate that it is fair use to

make a copy in order to get at unprotected elements or make a permitted use
- Sony permits "timeshifting" of network broadcast tv programs
- Bridgeman v. Corel - exact duplication of public domain work lacks sufficient originality to qualify for copyright protection under Britain's copyright law

You are on Firm Ground When Your Use Involves:

- Comment, criticism, news reporting, parody (Campbell v. Acuff-Rose)
  - Still, you must take all 4 factors into consideration: Los Angeles Times v. Free Republic (posting of full text of articles on website, even for "criticism and comment" is not a fair use)

CONFU Educational Fair Use Guidelines

- Understand relationship between statute and guidelines
- There is no consensus on guidelines status:
  many institutions feel strongly that they are not workable
- Creation of multimedia works
- Educational use of digital images
- Distance learning guidelines

The Good Faith Fair Use Defense

- Having a policy really helps!
  - Developing a policy
  - Implementing a policy

If Fair Use Does Not Apply, Seek Permission
UT System Rules of Thumb
Performance Rights for Transmissions

- Eligibility requirements:
  - Regular part of systematic instructional activities
  - Directly related to teaching content
  - Reception in classrooms/similar places or by persons with disabilities or "other special circumstances" that prevent thier attending class
- Section 110(1) permits display/performance of any work, regardless of medium, in face-to-face teaching

- Section 110(2), which authorizes transmissions of ***still images***
    - to persons who have special circumstances that prevent them from attending class
    - to classrooms or places devoted to instruction

  only applies otherwise to nondramatic, nonaudiovisual literary works and music
- Copies necessary to a digital transmission may be fair use
    - UT's Rules of Thumb would permit digitizing analog images so long as a digital image is not available at a fair price
    - ***No*** transmission right in dramatic or nondramatic audiovisual works
        - Rented videos
        - Purchased videos
        - Tapes made from broadcast television
- The CONFU Distance Learning Fair Use Guidelines attempted to apply fair use to bridge the gap between what is authorized for face-to-face teaching and what is authorized for distance learning
    - The Guidelines did not receive consensus support
    - U.T. System Rules of Thumb for Distance Learning
- If fair use does not apply, seek permission
- Digital Millennium Copyright Act, passed in October 1998, called for the Copyright Office, with input from educators and copyright owner industries, to report to Congress by the end of April 1999, its recommendations for changing Section 110 to facilitate the use of digital technologies in Distance Education
- The Copyright Office issued its Report in May, 1999: The battleground will shift to Congress if a bill is introduced to make these recommendations into law, and all parties will have another chance to affect the outcome of the legislation.
    - Users recommended to the Copyright Office:
        - eliminating distinctions among types of works that can be transmitted in a secure environment;
        - exempting copies and distribution that must be done to make a permitted transmission;
        - removing the limitation to classrooms and other places devoted to instruction;
        - emphasizing that the exemption has no effect on fair use

- The Copyright Office Report recommends to Congress that it change the law, and nearly every recommendation is one that was urged by the user community except for the following:

    - portion limitations on audiovisual works;
    - excluding "instructional materials" from the exemption (works for which the primary market would be educational institutions);
    - making the use of technologies that prevent recipient copying a condition for qualifying for the exemption

- Kenneth Crews of the Copyright Management Center at IUPUI has written a helpful summary of the Report

The Copyright Crash Course Tutorial - Fair Use Issues
The Copyright Crash Course Tutorial - Permission Issues
Copyright Law in Cyberspace - Scenario-based Discussion

Specific Multimedia Copyright Issues

Look at All This Neat Stuff in the Library/Archive/Special Collection!

- Who owns the copyright in all that neat stuff?

    Libraries and musuems have not typically acquired copyright along with the material artifact.

- Is it in the public domain?
- Can we acquire the rights we need to use the materials now?
- What might be fair uses of protected archival materials?

    - Rules of Thumb for Image Archives
    - Rules of Thumb for Multimedia
    - Rules of Thumb for Reserves

I Found It On the Internet

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They must not care what I do with it, right?

- Use is governed by the law ***and*** an implied license
- Modifications to the implied license: Any explicit statement of permitted or prohibited uses
- Additional uses outside the implied license
  - Uses permitted by Sections 110(1) and (2)
  - Multimedia Fair Use Guidelines
  - Educational Fair Use Guidelines for Digital Images
  - U.T. System Rules of Thumb
  - Getting permission

Digitizing Analog Images

- Educational Fair Use Guidelines for Digital Images
- U.T. System Rules of Thumb

Incorporating Images into New Works

- Governed by fair use
  - Multimedia Fair Use Guidelines
  - Distance Learning Guidelines
  - U.T. System Rules of Thumb

Electronic Reserves

- Draft ereserve guidelines (March 1996)

Most CONFU participants could not agree on the scope of fair use for electronic reserves. Copyright owner participants called into question whether electronic reserves without permission are legal at all.

- ALA position statement

". . . ALA does not recommend formal guidelines for fair use in a digital information environment at this time."

"ALA will, together with other library associations, investigate the
development
of guiding principles and examples of current practices in the
appropriate use of,
and in licensing agreements for, digital information resources."

- UT System Rules of Thumb for Electronic Reserves
- The Good Faith Fair Use Defense
    - 17 USC 504(c)(2)
    - Allows a court to refuse to award any damages even if the copying at issue was **not** a fair use
    - Applies if university personnel who copied material reasonably believed that the copying was a fair use
    - If it applies, it makes both the individual and the institution very poor prospects for a lawsuit
    - If our employees follow our fair use policy, they will be indemnified by UT System
- **Note that the DMCA has no effect on electronic reserves**

Licensing Access to Digital Works

- How will the digital library differ from today's library?
    - Digital libraries collapse Sections 107, 108, 109 and Contract law.
        - Libraries acquire digital materials under contract
            - Patron access is controlled by contract

              It is possible that in the future, contract provisions will ***entirely replace copyright law as the source of rights to use others' works, whether negotiated or not (and validated by UCITA)***

              Will copyright owners, on their own, provide public rights ***to access and use works as the Copyright Act does?***
        - Will the need for coursepacks and electronic reserves disappear?
        - Should contracts that eliminate fair use be enforceable?
        - Will there be any need for fair use in a digital library?
        - What about interlibrary loan and document delivery?
        - What exactly will it mean to lend something?
        - How will this affect the achievement of copyright's purpose?
- Is it OK to just sign licenses and send them back?
- Online resources for negotiating database and software license agreements

Merger of Different Kinds of Works in the Multimedia Work

- Should different standards for each kind of work continue to apply?
    - Rights to transmit materials for distance learning differ from rights to use materials in face-to-face teaching, depending on the medium of expression
    - Section 107's fair use analysis yields results for images and music that are different from results for text in the same context (nonprofit, educational reproductions for classroom teaching)
    - Some parts of Section 108 (library's special rights) do not apply to music, pictures, graphic, sculptural or audiovisual works (with limited exceptions)

Creating Derivative Works

There is no 10%, 20%, 30%, or any percent rule.

- A derivative work is any work based on or largely incorporating another work
- There is a tension between the law and artistic traditions (***See*** The Arts and Humanities in Public Life: Copyright Protection and Appropriation Art by William M. Landes for a discussion of the ***Koons*** case, among others.)
- Consider the contexts most likely to raise alarms:
    - Creativity of the original work
    - Commercial value of the original
    - Commercial value of the derivative
    - Market substitution
    - Wide distribution
    - Disparagement or harm to original owner's reputation
- Use the fair use test to analyze whether creating a derivative might be a fair use
- ***Don't confuse likelihood of getting caught with liability for infringement: They are not the same thing!***

Protecting Multimedia Creations

Registration Is No Longer Necessary, But Still Advisable

- Before bringing suit, most copyright claimants must register their works

  - Register to get statutory damages and attorney's fees

- **Ownership and Other Rights in the Work Should be Clear**
  - Use our sample Creation and Publishing Agreements as starting points for allocating rights and responsibilities among authors and institutions

- **Licensing Distribution**
  - Sample Video Distribution Agreement
  - Sample Multimedia Development and Distribution Agreement

- **University Uses of Faculty Owned Works**

Technology's Effect on Achievement of Copyright's Purpose

- **Electronic Access Increases Opportunities for Public Access**
  - Easier access to others' works
  - Wider dissemination of University creations
  - Increasing quantity and quality of digital content

- **Electronic Distribution Can Threaten Copyright Owner's Incentive**
  - Napster and other P2P technologies

- **Recent Changes in Law Tend to Favor Copyright Owners at Expense of Public Access and Use**
  - Longer terms
  - Automatic protection
  - Internet service provider liability limitations marginalize fair use and other limitations on copyright owners' exclusive rights
  - Anti-circumvention provisions eliminate all limitations
  - Licensing and UCITA can eliminate all limitations (among many other problematic effects)

- Read, "Copyright Endurance and Change," Section on "Trends" for short discussion
- Read, "The Digital Dilemma" by the Committee on Intellectual Property Rights and the Emerging Information Infrastructure, published by the National Academy of Sciences

- **Alternative Business Models and Creative Strategies for Protecting Copyright Owners While Preserving Public Rights of Fair Use and Access Need Support**
- **Electronic Distribution Can Increase Exposure to Liability for Copyright Infringement**

    - University Liability for Faculty Infringements
    - Good faith fair use defense (17 USC 504(c))
    - DMCA Title II: ISP liability limitations
        - Conduit protections apply to question of whether to "ban" access to a technology
        - Do not apply to online courses, class assignments, electronic reserves, administrative materials

- **Urge Faculty to Try Our Copyright Crash Course Tutorial to Improve Your Odds!**
- Copyright Law in Cyberspace - Scenario-based Discussion

Copyright Crash Course Tutorial

- Ownership

    - **Geology 301**
    - **$15,000 University Grant**
    - **Media Center Technical Support**
    - **Student's Computer Programming**
    - **Brother-in-law's Graphics**

    Who owns the course?

- Fair Use

  - **Text and Graphics from 1990 Textbook**
  - **Background Music**
  - **Short Video Segment**
  - **Student's Article**
  - **Licensed Materials**
  - **Online and Archival Photographs (some modified)**

  How do you tell what is fair?

  What is the relationship between the statute and the guidelines?

  Who is liable in court if there is an infringement?

- Commercial Success (Permission)

  - **Courseware Materials Were Successful on Campus**
  - **Others Became Interested**
  - **Publisher Had Questions about Copyright**

  What happened to fair use?

  How do you tell whether an item is in the public domain?

  How do you get permission?

- Copyright Law in Cyberspace Scenarios

Summary

- Legalities Are in Tremendous Flux

  - The statutes
  - The caselaw
  - The beliefs of copyright owners
  - The practices of users

- The Electronic Environment Offers New Opportunities to Make Works Conveniently Available and to Use Others' Works in New Ways

  - But Technology and the Change it Brings About Can Threaten the Balance that Enables Copyright Law to Fulfill its Purpose

- **Help Faculty Members to be Conscious of Their Activities and the Value of Works to their Owners**
  - Understand fair use, University policy, and the risks of using others' works
  - Use good judgment

- **Establish Connections to Licensing Collectives**
  - Make it easier for faculty members to get permission when they need it

- **Visit the Copyright Crash Course for Online Copyright Support**

Citations

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http//www.utsystem.edu/ogc/intellectualproperty/cyber.htm

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March 1, 1996

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I. INTRODUCTION TO COPYRIGHT IN CYBERSPACE

A. The Origins of U.S. Copyright Law

(i) First copyright law adopted in England in response to the invention of the printing press.

(ii) The Constitution of the United States grants Congress the power to "*promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries*." See U.S. Const., art. I, §8, cl. 8. George Washington signed the first copyright law in 1790.

(iii) Scope of the "*works of authorship*" protected by copyright law has changed over time in response to changes in technology (*e.g.*, movies, records, computer programs). See Sony Corp. v. Universal City Studios, Inc., 464 U.S. 417 (1984).

(iv) The current challenge: Cyberspace.

- An enormous body of works of authorship in digital format is currently available on-line and is growing.
- Worldwide accessibility to these works is available with actual individual access increasing.
- The ability to create works, copy works, modify works and distribute multiple copies of works at your fingertips.

B. The White Paper: Intellectual Property and the National Information Infrastructure

- Authored by the Working Group on Intellectual Property Rights established in 1993 by the Information Policy Committee of the Information Infrastructure Task Force.
- The White Paper was issued in September of 1995 after public hearings, written statements, comments on a preliminary draft (the "*Green Paper*"), and a conference.

- The White Paper addresses the special intellectual property concerns, particularly in the areas of copyright, and issues raised by the development and use of the National Information Infrastructure (*i.e.*, cyberspace).
- The White Paper reaffirms the importance of strong copyright protection in cyberspace and recommends only "*fine tuning*" of existing copyright law.

II. DETERMINING COPYRIGHT OWNERSHIP IN WORKS OF AUTHORSHIP IN CYBERSPACE

A. Copyright Law Basics regarding Works of Authorship in Cyberspace

(i) To be protected a Work of Authorship must be:

- "*original*" - not copied from another
- embody a modicum of "*creativity*"
- "*fixed in a tangible medium of expression*"

See 17 U.S.C. § 102(a) (1988).
A work is "fixed" when it is sufficiently permanent or stable to permit it to be perceived, reproduced or otherwise communicated for a period of more than transitory duration. See 17 U.S.C. § 101 (1988) (definition of "fixed").

(ii) Copyright law protects "*expression*" and does not extend to any "*idea, procedure, process, system, method of operation, concept, principle, or discovery*" (so-called idea/expression dichotomy). See 17 U.S.C. § 102(b) (1988).

(iii) The creator (*i.e.*, the individual who is the actual preparer) is generally the author and therefore the Owner of a work. See 17 U.S.C. § 201(a) (1988).

(iv) "*Works made for hire*" are an exception to the general rule:

- Works created by an employee within the scope of their employment are "*works made for hire*" - copyright owned by employer. See 17 U.S.C. § 101 (definition of "*works made for hire*") and § 201(b) (1988).
- "*Employee*" is interpreted narrowly by courts. See Community for Creative Non-Violence v. Reid, 490 U.S. 730 (1989).

- Works created by consultants, freelancers and other independent contractors are **rarely** "*works made for hire*" even if paid for. Independent contractor retains copyright ownership under general rule unless there is an assignment in writing.

(v) The copyright in a "*joint work*" is jointly owned by the individuals who contributed to the work where the "*work is prepared . . . with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole*." See 17 U.S.C. § 101 (1988) (definition of "*joint work*").

- The level of "*contribution*" necessary to establish joint authorship is always a matter of controversy. See Ashton-Tate Corp. v. Ross, 916 F.2d 516 (9th Cir. 1990).

- A joint work may be exploited by any of the joint owners without the other's permission, but there must be an accounting and a sharing of profits. See Oddo v. Ries, 743 F.2d 630 (9th Cir. 1984).

(vi) A "*compilation*" is a collection of pre-existing materials or data into an original work of authorship with the copyright being owned by the assembler. See 17 U.S.C. § 101 (1988) (definition of "*compilation*").

- Directories and databases are examples of compilations.

- No implicit right to create compilations using "pre-existing material" whose copyright is owned by someone else.

- Courts are raising the "*originality*" and "*creativity*" requirements as applied to compilations. See Feist Publication, Inc. v. Rural Telephone Service Co., 499 U.S. 340 (1991).

(vii) A "*collective work*" and mixed works (multimedia) are important subsets of the "*compilation*" category.

- A "*multimedia*" work combines several different types of works (*e.g.*, text, video, graphics, sound) into a single medium.

B. Applying the Basics to Cyberspace

(i) "*Fixation*": An electronic transmission of a work of authorship does not in and of itself meet the "*fixation*" requirement. A work is not fixed by virtue of the transmission. For a "*live*" electronic transmission to be protected under copyright law, the work must be fixed by the author (creator) at the same time it is being transmitted. See 17 U.S.C. § 101 (1988) (definition of "*fixation*").

(ii) "*Idea/Expression*" Dichotomy: The tension between protecting "*expression*" while promoting the free interchange of "*ideas*" will be heightened in cyberspace.

(iii) Creator as Owner: Works of Authorship in cyberspace with commercial value are multiplying exponentially with increased individual access to the Internet -- more individual owners of copyright with a stake.

(iv) "*Works Made for Hire*": The concept of "*employee*" is being redefined in era of down-sizing, telecommuting and the virtual office created by the E-mail, the Internet and other networks. The opportunities in cyberspace are resulting in the emergence of a consultant culture.

(v) "*Joint Works*": Working collaboratively has never been easier (*e.g.*, E-Mail, Groupware, Lotus Notes). Cyberspace will lead to more "*joint works*".

(vi) "*Compilations*": Compilations of information (Databases) are one of the fastest growing segments of the Internet and one of its primary commercial applications.

(vii) "*Multimedia*": The ability to create collective works combining disparate types of works of authorship is both a strength and weakness of cyberspace. Increased creation of "*multimedia*" works will lead to increased disputes regarding ownership and rights.

C. Specific Application in the College and University Environment

(i) Under most college/university intellectual property policies, scholarly works are owned by the professor who writes the work.

- How should this policy be applied in light of the electronic revolution and the compilation of scholarly works into software?
- How should the contributions of paid and non-paid research assistants be treated to determine ownership? Are they "*Works made for hire*"? Who is the "*employer*"?

(ii) The changing nature of authorship -- Increased collaboration among professors from different institutions.

- Does the "*contribution*" rise to the level of ownership?

- Is compensation due when published or used in a university course?
- Does the contributor own the contribution under its employer's IP policy?
- What will publishers require?

(iii) Sorting out rights in multimedia courseware.

- The increased use of free-lancers in specialty fields (*e.g.*, video) will lead to uncertainties as to ownership.
- University use of "*works*" downloaded from the Internet in creating multimedia works. How does one clear rights?
- Use of multimedia works in courses.

(iv) Applying the rules to telecourses/distance learning.

- No copyright protection in the "*course*" being transmitted unless simultaneously fixed.
- Does the college/university own the work where the course includes (I) works solely owned by professors, (ii) works jointly created with others or (iii) multimedia works which include works created by others?

III. USING OTHERS WORKS: THE ROLE OF LICENSING IN CYBERSPACE

A. Copyright Law Basics Regarding Licensing and Cyberspace

(i) Ownership of the "*copyright*" in a work confers on the owner certain exclusive rights regarding exploitation of the work.

- The exclusive rights of the copyright owner include the right to make copies, the right to distribute copies, the right to create modified or "*derivative*" works and for certain works the right to perform or display the work.

  See 17 U.S.C. § 106 (1988)

(ii) When the owner of the copyright in a work authorizes a third party to exercise any or all of the owner's exclusive rights in the work, the third party receives a "*license*" for that work.

- A license can be exclusive or non-exclusive.

(iii) A license agreement is a contract governed by state law which can override statutory exceptions to the exclusive rights of a copyright owner, such as fair use and the library exemptions.

- A license agreement can not transform "*fair use*" into copyright infringement, but it can make such use a breach of contract.

(iv) The "*first sale doctrine*" is a statutory exception to the "*exclusive rights*". See 17 U.S.C. § 109(a) (1988).

- The "*first sale*" doctrine allows the owner of a copy of a work to dispose of that copy without restriction (*e.g.*, by selling, leasing it, or giving it away).
- The "*first sale*" doctrine does not apply to computer programs and sound recordings which are rented or leased for direct or indirect commercial advantage. See 17 U.S.C. § 109(b)(1)(A) (1988).
- The "*first sale*" doctrine does not apply when a copy of a work is licensed, not sold, since a licensee is not the owner of the copy.

B. Applying the Basics to Cyberspace

(i) The White Paper proposes an amendment to U.S. copyright law to clarify that an electronic transmission of a work constitutes a distribution of that work under copyright law.

- A re-transmission of a copyrighted work owned by another could be a copyright infringement unless prior authorization is obtained.
- Legislation has been introduced into both the Senate (S. 1284, 104th Congress, 1st Sess. (1995)) and the House of Representatives (H.R. 2441, 104th Congress, 1st Sess. (1995)) to implement this clarification.

(ii) A copyright license must be sufficiently broad so that all contemplated uses are covered and authorized.

- While the enforceability of "*shrink wrap*" or "*self-executing*" licenses is debatable (See ProCD, Inc. v. Zeidenberg, 908 F.Supp. 640 (D.Wis. 1996)), on-line licensing will likely be the norm.

- See, *also*, H.B. 822, 1996 Session, VA. regarding "*electronic execution*" of contracts.

- See January 1996 Draft Article 2B of the Uniform Commercial Code (developed by the UCC Article 2B Drafting Committee of the National Conference of Commissioners on Uniform State Laws) regarding proposed amendments to the UCC validating "*self-executing*" licenses.

(iii) Since on-line services will be one of the most likely sources of copyrighted works to be copied and utilized, the scope of these license agreements is particularly important.

- No current mechanism for easy licensing of materials on the Internet. Technology may solve the problem.

(iv) Multimedia Products: Licensing is complex given the multiple works included and the multiple authors involved.

C. Specific Application in the College and University Environment

(i) What level of program should be in place to ensure the negotiation of concessions in software licenses and on-line services agreements to ensure adequate scope and rights?

(ii) How are users informed as to the "*use*" restrictions in the software licenses and on-line services agreements.

- Can the software be networked or used on multiple machines?

- Can the data/information obtained from on-line services be copied into (i) courseware, (ii) scholarly works, and/or (iii) multimedia works?

(iii) How should a college/university prepare to deal with the increased potential for contractual breaches arising from the expansion of licensing in cyberspace?

THE DISCOURAGEMENT OF LEARNING: SCHOLARSHIP MADE FOR HIRE

PAMELA A. KILBY*

INTRODUCTION

Throughout the twentieth century, the academic community has struggled to become a haven for the free and uninhibited search for truth.[1] Its efforts have been largely successful. A half-century ago, a judge revoked Bertrand Russell's appointment to teach mathematics and logic at City College of New York because his views on morality were contrary to "the public health, safety and morals of the people."[2] Today, academic freedom is taken almost for granted as a fundamental right of professors to research and publish what they choose.[3] Of course, nontenured professors must publish articles that are generally within their fields so that their peers may evaluate their competence. However, many believe that this should be the only constraint on their freedom of inquiry. Tenured professors do not have even this limitation on their academic freedom. In theory, at least, tenure gives academics virtually unlimited freedom to speak, write, and publish without fear of reprisal.

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[1] *See generally* J. Peter Byrne, *Academic Freedom: A "Special Concern of the First Amendment,"* 99 YALE L.J. 251, 267-288 (1989).

[2] Matter of Kay v. Board of Higher Educ., 18 N.Y.S.2d 821 (N.Y. Sup. Ct.), *aff'd on other grounds*, 20 N.Y.S.2d 1016 (N.Y. App. Div.), *appeal denied*, 21 N.Y.S.2d 396 (N.Y. App. Div.), *appeal denied*, 29 N.E.2d 657 (N.Y. 1940). *See* Note, *The Bertrand Russell Case: The History of a Litigation*, 53 HARV. L. REV. 1192 (1940), *reprinted in* THE CONSTITUTIONAL STATUS OF ACADEMIC FREEDOM (Walter P. Metzger ed. 1977).

[3] AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS, ACADEMIC FREEDOM AND TENURE: 1940 STATEMENT OF PRINCIPLES AND INTERPRETIVE COMMENTS, *reprinted in* AAUP POLICY DOCUMENT AND REPORTS (1984). The AAUP statement sums up the common understanding of academic freedom in the first sentence: "The teacher is entitled to full freedom in research and in the publication of the results, subject to the adequate performance of his other academic duties; but research for pecuniary return should be based upon an understanding with the authorities of the institution."

BEST COPY AVAILABLE

Whenever academic freedom is challenged, groups representing professors are swift to take up the cause.[4] Therefore, it is surprising that professors' interest groups did not speak out during the twenty-year debate over revision of the Copyright Act.[5] The American Association of University Professors' (AAUP) concern about the right of professors to publish had focused primarily on issues related to tenure. Meanwhile, Congress enacted a provision in the copyright law that could eviscerate whatever freedom to publish professors may have earned.

The work for hire provision of the Copyright Revision Act of 1976[6] makes employers the "authors" of all copyrightable works created by their employees within the scope of employment.[7] As author, an employer also owns the copyrights to the works unless the employer and employee have an agreement in writing to the contrary. Without such a written agreement, the employer enjoys all rights granted to copyright owners under the statute.[8] These rights include the *exclusive* right to allow or prohibit the publication, performance or display of the work, even by the employee who created it, and the *exclusive* right to grant others permission to reprint, translate or abridge the work, adapt it to other media or make any other derivative work from the original. Thus, the employee who created the work cannot authorize others to use or adapt it.

A straightforward reading of this provision seems to indicate that faculty[9] writings fall within its grasp. Professors, no doubt, are "employees" within the usual meaning of the term, and most probably think of their scholarly research and writing activities as part of their jobs. Does this mean then that universities[10] own the copyrights to their professors' scholarly works? The issue has not yet been resolved.

The problem may seem purely theoretical because it hardly ever arises, especially with respect to scholarly writings. Universities customarily allow faculty members to retain the copyrights to their literary and artistic works.[11] However, if faculty works are "works made for hire" as defined in the copyright statute, a policy that allows professors to retain their copyrights would have no legal effect. The statute expressly requires a written agreement *signed* by both the employer and employee in order to rebut the statutory presumption that the employer owns the copyright.[12] Without a written agreement, the employer automatically owns the copyright from the moment the work is created, and the employee has no copyright to retain.

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[4] See Byrne, *supra* note 1, at 302 n.201; William Van Alstyne, *The Specific Theory of Academic Freedom and the General Issue of Civil Liberty* (1972), *in* THE CONCEPT OF ACADEMIC FREEDOM 59, 77-81 (Edmund L. Pincoffs ed. 1975).

[5] See Leonard D. DuBoff, *An Academic's Copyright: Publish and Perish*, 32 J. COPYRIGHT SOC'Y 17, 26 (1984).

[6] 17 U.S.C. §§ 101-810 (1988 & Supp. V 1993) [hereinafter 1976 Act].

[7] *Id.* §§ 101, 201(b).

[8] *Id.* § 106.

[9] The terms "faculty" and "professors" are used interchangeably herein to refer to all teaching professionals, both tenured and nontenured, at all levels, at all institutions of higher education.

[10] The terms "colleges," "universities," "institutions," and "academia" are used interchangeably herein to refer to all institutions of higher education.

[11] J.H. Reichman, *Computer Programs as Applied Scientific Know-How: Implication of Copyright Protection for Commercialized University Research*, 42 VAND. L. REV. 639, 673 (1989).

As universities face increasing pressure to make up for lost federal funds, many are exploring ways to exploit the research efforts of their faculties.[13] Traditionally, universities have asserted ownership rights over professors' patentable inventions.[14] However, some universities also have adopted copyright policies that purport to claim rights in other, often potentially lucrative, works such as computer programs and audiovisual works.[15] Indeed, the University of Florida's employment contract requires professors to assign their copyrights to the University upon the creation of *any* copyrightable work.[16]

In spite of the broad language of the statute, scholarly works by university professors should not be considered works made for hire. Not only is it possible to interpret the work for hire provision to exclude professors' scholarly works, in fact, such an interpretation is required by the Constitution. Generally, a professor's works are not works made for hire because the works usually are not created "within the scope of employment" under the standard adopted by the Supreme Court in *Community for Creative Non-Violence v. Reid.*[17] If the work for hire provision were applied to professors' scholarship, the provision would be unconstitutional as applied. It is outside the scope of Congress' power under the Copyright Clause[18] to vest rights of authorship in a party who is not the motivating factor that brought the work to light. To do so would inhibit, rather than promote, the progress of science. Application of the work for hire provision in the academic context also would violate the First Amendment because it imposes an undue burden on academic speech—a burden that is not justified by the government interests that the law is meant to advance. Since application of the provision to professors' scholarly works is not necessary to give effect to the intent of Congress, professors should be constitutionally exempt from the work for hire provision.

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[12] 17 U.S.C. § 201(b) (1988). The requirement of a written agreement signed by both employer and employee may be satisfied if a university's bylaws and policies are expressly incorporated by reference into the faculty contract. *But see* Todd F. Simon, *Faculty Writings: Are They "Works Made for Hire" under the 1976 Copyright Act?*, 9 J.C. & U.L. 485, 506 (1982). Simon believes that university bylaws and policy statements will fail to rebut the presumption of university ownership because these documents are not signed by the parties as required by 17 U.S.C. § 201(b), and because "[i]ncorporations by reference are inherently suspect in contract law."

[13] *See generally* Reichman, *supra* note 11.

[14] *Id.* at 673.

[15] *Id.* at 677. Reichman cites a variety of examples, including Stanford University's policy on "tangible research property," which includes copyrightable works such as circuit diagrams, engineering drawings, and semiconductor chips in addition to computer programs. *See also George Washington University, Copyright Policy* 1 (1990), which requires faculty and student computer programmers who make "substantial use" of University facilities in creating their programs to assign the copyright to the University. By contrast, George Washington University treats "*all* audio, audiovisual, video and television works and broadcasts created by an employee or student with the use of University audio, video, television and broadcasting facilities and resources" as works made for hire. *Id.* at 7.

[16] Reichman, *supra* note 11, at 676 n.192.

[17] 490 U.S. 730, 109 S. Ct. 2166 (1989).

I. BACKGROUND

A. *The "Teachers' Exception" Controversy*

No clear consensus exists about whether the work for hire provision applies in the university context. Some commentators believe that courts developed a "teachers' exception" to the work for hire doctrine under the 1909 Act.[19] The case often cited for this proposition is *Williams v. Weisser*.[20] The case revolved around whether Professor Williams or the university at which he taught had standing to sue in an infringement action involving student notes taken from his oral lectures. The court used academic tradition to establish that universities do not own the copyright in professors' lecture notes. However, the case was decided under California state law and involved infringement of unfixed, oral lectures, not the lecture notes themselves.[21] Thus, the California court's holding is limited to common law copyright in unfixed works. Any applicability it might have had to unpublished, fixed works would have been preempted by the 1976 Act.[22]

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[18] "The Congress shall have Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. CONST. art. I, § 8, cl. 8.

[19] MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 5.03[B][1][b][i], at 5-32 to 5-34 (1994); Rochelle Cooper Dreyfuss, *The Creative Employee and the Copyright Act of 1976*, 54 U. CHI. L. REV. 590, 591 (1987); Reichman, *supra* note 11, at 674.

[20] 78 Cal. Rptr. 542 (Cal. Ct. App. 1969).

[21] The court did not address squarely the distinction between ownership of the notes and copyright in the oral lectures, apparently assuming that transcribing the lectures was the same as copying the professor's notes. Both the lecture notes and the oral lectures were protected under state or common law copyright, even though federal copyright protection also was available for unpublished writings. Act of March 4, 1909, ch. 320, §§ 2, 4, 12, 35 Stat. 1075, 1076, 1078, *as amended by* Act for the General Revision of the Copyright Law, Pub. L. No. 94-553, 90 Stat. 2541 (1976).

[22] The 1976 Act expressly preempts all state laws that confer rights that are equivalent to the exclusive rights created under the federal statute. Unpublished works in tangible form now are protected exclusively by federal copyright law, whereas unfixed, ephemeral works such as oral lectures continue to be protected only under state or common law. 17 U.S.C. §§ 102, 301 (1988 & Supp. V 1993). Thus, the *Williams* court's extension of its holding to include the professor's written notes no longer is reliable authority. *See* Simon, *supra* note 12, at 507.

No court has decided whether the work for hire doctrine, as codified in the 1976 Act, applies to professors' works. The Court of Appeals for the Seventh Circuit has touched on the subject twice since the current law went into effect. In *Weinstein v. University of Illinois*,[23] Judge Easterbrook noted that the work for hire doctrine probably would apply to professors' works under the 1976 Act.[24] However, Judge Posner in *Hays v. Sony Corp. of America*[25] stated in dicta that, if forced to decide the issue, he would hold that the teachers' exception probably *did* survive the 1976 Act.[26]

Standard tools of statutory analysis do not help resolve the issue. The legislative history of the work for hire provision indicates that it may have been applied to professors inadvertently because the specific issue of scholarly works was not discussed in relation to this provision.[27] However, the language of the statute is plain insofar as it does not exempt any class of employees. Given that the Supreme Court is becoming increasingly textualist in its interpretation of statutes,[28] it is not likely to uphold a judicially created teachers' exception simply because a contrary interpretation is unpalatable to academic-minded judges.

Legal scholars do not agree on the existence of a teachers' exception. Several argue that professors' scholarly works are subject to the work for hire provision.[29] The common thread among their arguments is that professors' works are made for hire because universities have the "right to control" their professors' scholarly work product.[30] Universities re-

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[23] 811 F.2d 1091 (7th Cir. 1987).

[24] The court held that the work at issue in *Weinstein* was owned by the university because the university's copyright policy, which was incorporated into faculty contracts by reference, amounted to a transfer of copyright. Thus, the case did not require the court to decide if the work for hire provision would have applied if there had been no copyright policy. *Id.* at 1094.

[25] 847 F.2d 412 (7th Cir. 1988).

[26] *Id.* at 416-17. (Note, however, that the case was dismissed under Rule 12(b)(6).)

[27] DuBoff, *supra* note 5, at 26 (summarizes the legislative history of the work for hire provision as it pertains to scholarly works).

[28] Patricia M. Wald, *The Sizzling Sleeper: The Use of Legislative History in Construing Statutes in the 1988-89 Term of the United States Supreme Court*, 39 AM. U. L. REV. 277 (1990).

[29] See DuBoff, *supra* note 5, at 245; Simon, *supra* note 12, at 505; Russ VerSteeg, *Copyright and the Educational Process: The Right of Teacher Inception*, 75 IOWA L. REV. 381, 383 (1990). *See also* Dreyfuss, *supra* note 19, at 597. For the sake of argument, Dreyfuss takes the position that professors' works are made for hire, although she does not necessarily share this view.

[30] *See* Simon, *supra* note 12, at 502-505. The commentators point to various factors that have been used by courts in work for hire cases. In addition to the "right to control" test, Simon notes that professors are hired to produce written material because the "publish or perish" warning is well known by both parties to the contract, whether explicitly stated or not.

Other evidence that production of creative work is expected by universities includes quire professors to publish works in a specific subject area, and also determine the adequacy of the publications in terms of quality and quantity. The "publish or perish" admonition, therefore, is the spur that animates professors' scholarly productivity. Consequently, works created by professors, who must publish in order to receive tenure, are works made for hire according to this view.

Other scholars argue that professors' works probably are not created within the scope of the professors' employment and thus are not made for hire.[31] The thrust of their arguments is twofold. First, universities do not *directly* control or supervise scholarly work. Second, the consequences of applying the work for hire doctrine are at odds with custom in academia. Thus, even though professors are expected to produce scholarship as an outgrowth of their teaching activities,[32] the particular articles they write actually are not created within the scope of employment.

B. *Consequences of Applying the Doctrine to Scholarship*

Whatever their positions, commentators agree that the application of the work for hire doctrine to professors' scholarly works would have negative consequences.[33] If universities legitimately could claim copyright ownership of faculty works, they could reap the financial rewards from textbooks, computer programs, semiconductor chips, and even the sale of faculty art works. The doctrine would reduce the economic incentive that may be needed to spark academic creativity. Even worse, it would place control over the content and dissemination of scholarship into the hands of university administrators. A university potentially could use copyright to censor professors for religious or political reasons. Although this may seem unlikely given the importance of academic freedom on most campuses, certain spheres of scholarship continue to be subject to dogmatic constraints.[34] The right to prevent publication of controversial works could be a more potent (and less costly) weapon

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the practice of lowering course loads if a professor submits an adequate proposal for research, as well as the tradition of paid sabbatical leave. Simon also points out that universities "bear most costs related to scholarly research." *Id.* at 504. Non-salary benefits extended to professors include the use of university libraries, clerical personnel, copying services, office space, supplies and furniture, research assistants whose salaries are paid by the university, and travel expenses incurred in connection with academic meetings.

[31] *See* NIMMER, *supra* note 19, § 5.03[B][1][b][i], at 5-32 to 5-34; Robert A. Gorman, *Copyright and the Professorate: A Primer and Some Recent Developments*, ACADEME, Sept.-Oct. 1987, at 29; Reichman, *supra* note 11.

[32] Gorman, *supra* note 31, at 31.

[33] *See generally* Dreyfuss, *supra* note 19; DuBoff, *supra* note 5.

[34] *See* Peter Steinfels, *Academic Freedom is Key Issue in Suit*, N.Y. TIMES, Dec. 18, 1988, § 1, at 30 (discussing the firing of Charles Curran, a tenured professor at The Catholic University of America, for publishing liberal writings on birth control and other issues in sexual ethics).

against unorthodox views than outright dismissal of a tenured professor.

Application of the work for hire doctrine to professors also has legal consequences. The validity of existing contracts that transfer copyright rights in works created by professors could be called into question if professors are not the true owners of their works. Scholarly publishers generally obtain the right to publish professors' works directly from the professors, who warrant that they are the copyright owners.[35] Similarly, in any infringement case involving works created by professors, the question of standing depends on who owns the copyright.[36]

C. *Proposed Solutions*

Scholars who take the position that the work for hire doctrine applies to professors offer various proposals intended to nullify its effect. The best way to ensure that professors are exempt from the provision is to amend the statute. Some have proposed including a "shop right," akin to the shop right doctrine in patent law. Under this doctrine, an employee-author would remain the legal author and copyright owner of works created within the scope of employment while the employer would have the right to use the works for its own business purposes.[37] This proposal is not likely to get far in Congress because it already was considered and rejected during the 1965 hearings on the revision of the Act.[38] Congress believed that the shop right alternative to the work for hire doctrine would be impractical in the case of composite works with numerous authors. In addition, many thought it would lead to confusion among future users who would be uncertain whether they should negotiate for the copyright with the employer or with the individual author. Whatever their validity, these objections remain an impediment to the eventual adoption of a shop right doctrine in copyright.[39]

Another suggestion is to interpret the work for hire provision to exclude "professional" employees.[40] The British version of the work for hire doctrine includes a judicially created exception for professionals based on labor law principles.[41] Unlike employees under "contract of service,"[42] British professionals retain the copyrights to their works, unless, like journalists, they are hired specifically to write. The theory is that professionals work more independently than regular employees, and the works they create for their employers are not necessarily integrated into the employers' businesses.[43]

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[35] See, e.g., UNIVERSITY OF CHICAGO PRESS, THE CHICAGO MANUAL OF STYLE § 4.29 fig. 4.2 (13th ed. 1982) (standard publishing agreement).

[36] Standing was the dispositive issue in *Williams*, 78 Cal. Rptr. 542, and *Weinstein*, 811 F.2d 1091.

[37] See Dreyfuss, *supra* note 19, at 639; DuBoff, *supra* note 5, at 34-35; VerSteeg, *supra* note 29, at 410-411.

[38] *Copyright Law Revision: Hearings on H.R. 4347, H.R. 5680, H.R. 6831, and H.R. 6835, Before Subcomm. No. 3 of the Comm. on the House Judiciary*, 89th Cong., 1st Sess. 271-72 (1966); H.R. REP. No. 1476, 94th Cong., 2d Sess. 121 (1976). *See also* DuBoff, *supra* note 5, at 22-23, who notes that the proposal, which was offered by the Composer and Lyricists Guild, differed from the shop right doctrine in patent law in that it required the employee to refrain from authorizing others to use the work in a way that would compete with the employer's business.

[39] DuBoff, *supra* note 5, at 35.

[40] Simon, *supra* note 12, at 510.

Even proponents of this solution concede, however, that such an interpretation is directly at odds with the plain language of the statutory definition of works "made for hire."[44] Accordingly, one scholar recommends an amendment to the statute specifically tailored to exempt works "prepared by an employee whose principal duties are to teach and lecture to students of the employer."[45] Given the compromises among professional interest groups that were required to adopt the work for hire provision initially,[46] Congress likely could not consider seriously a proposal affecting only one class of creative employees without some heated controversy to spark the debate.

The only practical way to ensure that professors own their own copyrights is by contract—that is, to include a reservation of copyright in each professor's employment contract. However, this would alter neither the status of the work as a work made for hire nor the status of the university as "author," because of the language of § 201(b) of the Copyright Act.[47] Instead, the written agreement would assign rights in the work to the professor.

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[41] *See id.* at 500-501 (summarizing the British equivalent to the work for hire doctrine).

[42] The inquiry into whether a work was prepared under "contract of service" is analogous to the issue of whether a work was created by an employee within the scope of employment under United States law. *Id.* at 500.

[43] DuBoff, *supra* note 5, at 35.

[44] Simon, *supra* note 12, at 511.

[45] DuBoff, *supra* note 5, at 35.

[46] H.R. REP. NO. 1476, *supra* note 38, at 121. *See generally* WILLIAM F. PATRY, LATMAN'S THE COPYRIGHT LAW 117-125 (6th ed. 1986).

[47] 17 U.S.C. § 201(b) provides:

> In the case of a work made for hire, the employer . . . is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.

Because of the placement of the phrase, "unless . . . agreed otherwise" in the second clause of the sentence, § 201(b) creates an irrebuttable presumption that the employer shall be considered the author "for purposes of this title," regardless of any agreement to the contrary. The language of the statute is ambiguous, however, about whether the parties may agree that the employee's works will not be characterized as works made for hire. The legislative history indicates that Congress did not intend for employees to be able to alter the *status* of their creative work product as "made for hire." *Copyright Law Revision: Hearings on H.R. 4347, H.R. 5680, H.R. 6831, and H.R. 6835 before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the House Judiciary Comm.*, 89th Cong., 1st Sess. 148-149 (1965); *see* PATRY, *supra* note 46, at 120-121.

The continued status of the work as made for hire adversely affects the value of the copyright in several ways. The duration of copyright often is shorter for works made for hire.[48] In addition, under § 203 of the 1976 Act, individual authors may terminate transfers of copyright rights after thirty-five years.[49] This provision, however, does not apply to works made for hire. The work for hire status also may deny employee-authors renewal rights to their works. Renewal rights in works by individual authors vest either in the author or in the author's statutorily defined heirs. For works made for hire, however, renewal rights vest in the copyright owner at the time of renewal.[50] Unless employee authors obtain copyright by assignment before the end of the first twenty-eight year copyright term, they will not be entitled to renewal rights. Thus, employee authors may be denied the "second bite of the apple" that individual authors are allowed under both the renewal and termination provisions of the Copyright Act. Scholarship, by definition, is the very type of innovative work that these provisions were meant to reward.[51] Work that is truly on the vanguard of scholarship is likely to increase in value as the author's reputation grows and the public comes to appreciate his or her expressive genius. Consequently, even if professors could bargain successfully for copyright rights to their works, they still would be denied certain valuable rights of authorship that are afforded to other authors.

In sum, the solutions offered by the various commentators are unsatisfactory. Proposals to amend the statute not only are likely to fail, they also are not helpful to those facing present legal battles. Contractual solutions require bargaining power as well as knowledge of the law, both of which professors usually lack at the inception of employment. Moreover, neither solution would put professors in as good a position as they would be if the work for hire provision did not apply. Forceful arguments are needed to explain why the provision *could not* be interpreted to include professors' scholarly works.

II. STATUTORY ANALYSIS

Whether professors' scholarly works are made for hire depends on whether they are "prepared by an employee within the scope of his or her employment."[52] As noted previously, several scholars have concluded that professors' scholarly works are not made for hire within the meaning of the statute.[53] The Supreme Court's recent decision in *Community for Creative Non-Violence v. Reid*,[54] supports this position, even though it does not directly deal with the scope of employment issue, which is at the crux of the problem in the academic context.

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[48] Copyright duration for individual authors is the life of the author plus fifty years. 17 U.S.C. § 302(a) (1988). The duration for works for hire is seventy-five years from date of first publication, or 100 years from the date of creation, whichever is shorter. *Id.* § 302(c). Thus, assuming the average life expectancy is seventy-five years, the copyright in works created by an individual author before his or her fiftieth birthday is likely to last longer than the seventy-five year copyright of "works for hire".

[49] *Id.* § 203.

[50] *See id.* § 304. The renewal provision, it should be noted, affects only works published before 1978 that are still in their first term of copyright.

[51] H.R. REP. No. 2222, 60th Cong., 2d Sess. 14 (1909); H.R. REP. No. 1476, *supra* note 38, at 124.

A. *The Agency Law Standard*

In *Reid*, the Supreme Court held that the phrase "employee within the scope of employment" is to be interpreted with reference to the common law of agency.[55] At issue was whether Reid, a sculptor, was an employee of the Community for Creative Non-Violence (CCNV), a nonprofit advocacy group for the homeless, or whether he was an independent contractor. Reid had agreed to sculpt a modern nativity scene depicting a homeless couple with their newborn child huddled over a steam grate. CCNV conceived the idea and closely supervised the construction of the sculpture. CCNV also constructed the steam grate pedestal that would spew forth steam to swirl around the figures. Reid agreed to donate his time, and CCNV compensated him only for materials and expenses.

The Supreme Court held that the sculpture was not made for hire because Reid was not an employee of CCNV. The Court explained, "In determining whether a hired party is an employee under the general common law of agency, we consider the hiring party's right to control the manner and means by which the product is accomplished."[56] The Court went on to list a variety of factors that go into the determination:

> Among the other factors relevant to this inquiry are the skill required; the source of the instrumentalities and tools; the location of the work; the duration of the relationship between the parties; whether the hiring party has the right to assign additional projects to the hired party; the extent of the hired party's discretion over when and how long to work; the method of payment; the hired party's role in hiring and paying assistants; whether the work is part of the regular business of the hiring party; whether the hiring

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[52] 17 U.S.C. § 101 (1988).

[53] See sources cited *supra* note 29.

[54] 490 U.S. 730, 109 S. Ct. 2166 (1989).

[55] *Id.* at 740-741, 109 S. Ct. at 2173.

[56] *Id.* at 751, 109 S. Ct. at 2178. The Court specifically rejected the "right to control" test set forth in Aldon Accessories Ltd. v. Spiegel, Inc., 738 F.2d 548 (2d Cir. 1984). The difference between *Aldon* and *Reid* is that the Court's standard in the latter case focuses on the hiring party's right to control the manner and means by which the work is created, rather than the right to control the finished product itself. NIMMER, *supra* note 19, § 5.03 [B][1][a][iii], at 5-21.

> party is in business; the provision of employee benefits; and the tax treatment of the hired party. . . . No one of these factors is determinative.[57]

B. *Applying Agency Principles to the "Scope of Employment" Question*

Reid specifically addressed the question of who is an employee. The sticky issue in the professors' situation, however, is not whether they are employed by the university, but whether their scholarly works are created within the scope of that employment. Nevertheless, agency law also should guide the analysis of the scope of employment issue because Congress intended standard master-servant principles to apply to both questions, as had been the case under the 1909 Act.[58]

The common law of agency blurs the distinction between the master-servant and scope of employment issues. The key factors in both issues include the intent of the parties and the right of the master to control the actions of the servant.[59] Notably, the "manner and means" test set forth in *Reid* is virtually the same as the test for scope of employment in *Scherr v. Universal Match Corp.*,[60] the leading case on the issue decided under the 1909 Act:

> The essential factor in determining whether an employee created his work of art within the scope of his employment as part of his employment duties is whether the employer possessed the right to direct and to supervise the manner in which the work was being performed.[61]

Under the common law of agency, an employee's activity is considered to be within the scope of employment if it meets three criteria. First, the activity must be motivated, at least in part, by the servant's intent to serve the master's purposes, and not simply his own.[62] The intent of the parties, therefore, is a key factor in determining what duties are within the scope of employment. Second, the activity in question, if not specifically authorized, must be performed in a manner, place, and time that do not vary substantially from that which is normal for the particular activity.[63] Third, "it must always be shown that as to the specific conduct performed, the master had the right to control the actions of the servant."[64]

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[57] *Reid*, 490 U.S. at 751-752, 109 S. Ct. at 2178-79.

[58] *See* Copyright Law Revision Part 3: Preliminary Draft for Revised U.S. Copyright Law 273-275 (1964) [hereinafter Copyright Law Revision Part 3]. *See also* Patry, *supra* note 46, at 119.

[59] See W. Edward Sell, Agency §§ 95-96 (1975); Harold G. Reuschlien & William A. Gregory, The Law of Agency and Partnership § 52, at 105-07 (2d ed. 1990).

[60] 417 F.2d 497 (2d Cir. 1969).

[61] *Id.* at 500.

[62] Sell, *supra* note 59, § 96, at 88.

C. *Application of Agency Law to Scholarly Activity*

Typical scholarly activity does not fit all three criteria. Universities normally do not have the right to control the manner and means by which professors create scholarly works. To be sure, some of the factors enumerated in *Reid* point toward finding the requisite degree of control. For example, universities are "in business" in the sense that they offer educational services in exchange for a fee, and scholarship is a part of the regular business of the university. Professors usually are paid regular salaries and receive employee benefits. In addition, universities often make "instrumentalities and tools" available to professors in the form of library privileges, office supplies, computers, secretarial services and research assistants. These indicia of control led some scholars to conclude, prior to the Court's decision in *Reid*, that professors' works are works made for hire.[65]

On the other hand, professors, by definition, are highly skilled in their fields. They often work at home with their own equipment and have broad discretion over when and how long to work. Most importantly, universities generally do not assign scholarly articles to professors, and it is doubtful whether they could do so without also invading a professor's academic freedom.[66] Although academic freedom is not a constitutional right that bars a university from directing or controlling faculty research,[67] a university may incorporate an academic freedom policy statement into its faculty contract.[68] In the absence of an express provision, academic freedom often may be implied as a material element of the employment relationship. In either case, a university's right to control the production of faculty scholarship would be circumscribed by contract.

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[63] *Id.*

[64] *Id.* at 88-89; REUSCHLEIN & GREGORY, *supra* note 59, at 102.

[65] See DuBoff, *supra* note 5, at 31-34; Simon, *supra* note 12, at 502-505. These writers' views also were based on the fact that the university exercises control over the quality and quantity of faculty output. As noted above, the Supreme Court specifically rejected this test in *Reid*, 490 U.S. 730, 109 S. Ct. 2166 (1989). *See supra* note 56 and accompanying text. The focus now is on the right to control the creative activity itself, rather than on the right of the hiring party to approve or veto the final product.

[66] See Gorman, *supra* note 31, at 31; Dreyfuss, *supra* note 19, at 597. Notable exceptions to this analysis of "typical" scholarly activity include works created under a special contract or grant from the university. Such works could be considered "within the scope of employment" if the agreement between the university and professor is clear that the project is assigned by, and is to be done for, the university.

[67] *See infra* text accompanying notes 118-121.

[68] See, e.g., GEORGE WASHINGTON UNIVERSITY, FACULTY CODE i (1986) (amended Oct. 15, 1987). The faculty code provides:

> A faculty member shall enjoy freedom of expression. In the classroom, a faculty member's exposition shall be guided by requirements of effective teaching, adherence to scholarly standards, and encouragement of freedom of inquiry among students. In speaking and writing outside the University, a faculty member shall not attribute his personal views to the University.

The code is incorporated by reference into faculty contracts.

Custom in academia also excludes scholarly works from the scope of employment for copyright purposes. As Judge Posner noted in *Hays v. Sony Corporation of America*, "[T]he universal assumption and practice was that, in absence of an explicit agreement as to who had the right to copyright[,] such writing belonged to the teacher rather than to the college or university."[69] Insofar as custom plays a role in determining the intent of the parties to an employment contract,[70] it defines, at least in part, what professors are hired to do.[71] Thus, the longstanding assumption that professors own the copyrights to their works is evidence that the parties do not consider the creation of copyrightable works of authorship to be within the scope of employment.

The work for hire provision itself provides an additional basis for concluding that the creation of scholarly works is not within the scope of employment. Section 201(b) of the Copyright Act states that the "employer or other person *for whom* the work was prepared" shall be considered the author of a work made for hire.[72] The language of this section is somewhat ambiguous because it is not clear whether "for whom the work was prepared" modifies "employer" or just "other person." However, the legislative history of the work for hire definition as it relates to employees indicates that Congress had in mind works created within the master-servant relationship.[73] Since works created within the scope of employment are, by definition, prepared *for* the employer under the common law of agency,[74] it is reasonable to conclude that Congress meant the "for whom" language in § 201(b) to refer to both employers and other people, such as those hiring independent contractors.[75]

To interpret § 201(b) as requiring an employee's works to be prepared for the employer in order to be characterized as works made for hire would comport with the legislative history of the 1976 Act as a whole. Congress intended the work for hire provision to be construed in the same way as the definition for a work of the United States Government.[76]

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[69] 847 F.2d at 416. This practice may not always have been as universal as Posner suggests. According to one source, The University of Chicago, where Posner himself taught prior to joining the federal bench, at one time had a policy of retaining faculty copyrights. *See* Simon, *supra* note 12, at 496.

[70] Restatement (Second) of Contracts §§ 3, 202(5), 223 (1981).

[71] Reichman, *supra* note 11, at 675.

[72] 17 U.S.C. § 201(b) (1988) (emphasis added).

[73] Copyright Law Revision Part 3, *supra* note 58, at 273-275.

[74] Sell, *supra* note 59, § 96, at 88.

[75] *See Hays*, 847 F.2d at 416.

[76] H.R. Rep. No. 1476, 94th Cong., 2d Sess. 58 (1976).

"A work of the United States Government" is a work "prepared by an officer or employee of the United States Government as part of that person's official duties."[77] Courts have interpreted this term to mean that a work must be created either for the Government's use or at the direct request of the Government.[78] If the work for hire provision is to be interpreted the same way, then a work created by an employee will not be a work made for hire unless it is prepared at the instance of the employer, or with some intention on the part of the *employee* that the work be for the employer, and not merely to serve the employee's own purposes.

Some commentators argue that scholarship is produced at the university employer's instance because the duty to publish is implicit in professors' employment agreements.[79] However, the creation of scholarly works is not a *present* employment obligation. The failure to produce scholarship would not be grounds for dismissal prior to the expiration of the contract period. The adage "publish or perish" merely sums up the understanding that a professor's scholarly productivity will be a factor in determining whether the professor will be rehired in the future. Thus, the real motivating force behind a professor's scholarly efforts is the potential for *future* employment. To be sure, many professors also are motivated by the sincere desire to contribute to the advancement of their respective disciplines,[80] but the achievement of that purpose also serves to enhance a professor's reputation and thereby increases the professor's value in the marketplace. In this respect, reputational interests, not contractual obligations, are the *sine qua non* of a professor's urge to create innovative works that conform to professional standards.

In sum, professors' scholarly works should not be considered works made for hire within the meaning of the statute. Even though universities evaluate faculty publications to determine whether professors should be granted tenure, the institutions generally cannot control the specific scholarly activities of their faculty members without violating the academic freedom privileges that are either expressed or implied in many faculty contracts. The established custom of faculty copyright ownership is in accord with this principle. Furthermore, since professors do not create scholarly works for the universities that hire them, but rather to advance their own interests, their scholarship does not fit the intended meaning of a work made for hire.

III. Constitutionality of Applying the Work for Hire Doctrine to Academic Works under the Copyright Clause

Even if professors' scholarly activities are considered to be within the scope of employment, the work for hire provision should not apply to scholarship because Congress does not have the power under the Copyright Clause of the United States Constitution to vest copyright in a non-author where the effect would be to reduce the incentive to create. The Constitution gives Congress the power, "To promote the Progress of Science . . . by securing for limited Times to Authors . . . the exclusive Right to their . . . Writings."[81] Congress may have the power to secure rights of authorship in an employer who is the "motivating force" behind the creative activity because this would be consistent with the purpose of copyright.[82] Indeed, this interpretation of Congressional power justifies the enactment of the work for hire provision, which does vest copyright ownership in a party other than the actual creator of the work. However, to endow some other party who is neither the creator nor the motivating force with rights of authorship is outside Congress' constitutional mandate.

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[77] 17 U.S.C. § 101 (1988).

[78] See John O. Tresansky, *Copyright in Government Employee Authored Works*, 30 Cath. U. L. Rev. 605, 615 (1981).

[79] DuBoff, *supra* note 5, at 32; Simon, *supra* note 12, at 502.

[80] See Dreyfuss, *supra* note 19, at 605.

A. *The Importance of Authorship*

Granting Congress the power to vest copyright ownership in *authors* was a deliberate choice of the Framers.[83] Copyright began as a response by the English Crown to the development of the printing press. Originally, copyright was a monopoly conferred upon printers who were required to register a work in order to obtain the right to make copies of it. Copyright thus was a means by which the Crown could censor seditious publications.[84]

By the time the Statute of Anne was adopted in 1709, copyright had been criticized widely, not only as a means of official censorship,[85] but also because it was unfair to authors.[86] The Statute of Anne allowed licensed printers to retain exclusive rights to existing texts, but granted the copyright in new works to authors. The statute's stated purpose was "for the Encouragement of Learned Men to compose and write useful books."[87]

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[81] U.S. Const. art. I, § 8, cl. 8.

[82] Professor Nimmer succinctly stated the principal rationale underlying copyright law: "[T]he limited monopoly of copyright is predicated upon the dual premises that the public benefits from the creative activities of authors and that the copyright monopoly is a necessary stimulus to the full realization of such creative activities." Nimmer, *supra* note 19, § 1.10[B][1], at 1-71.

[83] Pierre N. Leval & Lewis Liman, *Are Copyrights for Authors or Their Children?*, 39 J. Copyright Soc'y 1, 4 (1991).

[84] *See* Benjamin Kaplan, An Unhurried View of Copyright 2-6 (1967).

[85] *See* John Milton, *Areopagitica* (1644), *in* Complete Poems and Major Prose 716 (Merritt Y. Hughes ed., 1957).

[86] The preamble to the Statute of Anne notes:

> Printers, Booksellers and other Persons have of late frequently taken the liberty of printing, reprinting, and publishing or causing to be printed, reprinted, and published Books and other Writings without the Consent of Authors or Proprietors of such Books and Writings to their very great Detriment and too often to the ruin of them and their Families.

Statute of Anne, 8 Anne, c. 19 (1709).

[87] *Id.*

The controversy that gave rise to the Statute of Anne formed the basis for the Framers' decision to carefully limit Congress' power to grant statutory monopolies for works of authorship. The need to secure copyright in authors in order to promote the advancement of knowledge was apparent, but so was the danger that copyright could be used to curtail free and open dialogue. The Copyright Clause represents the Framers' view that giving *authors* the exclusive right to disseminate and exploit their works was the best way to encourage them to share their knowledge. Accordingly, "the Supreme Court has repeatedly emphasized that *authorship* is the source of copyright and that the protection of creative, intellectual or aesthetic labor is the sole justification of the copyright estate."[88]

B. *Creative Spark: The Sine Qua Non of Authorship*

In *Feist Publications, Inc. v. Rural Telephone Service Co.*,[89] the Supreme Court confirmed that the meaning of authorship has a constitutional dimension that cannot be wholly divorced from the actual creation of a work. Copyright protects only "original works of authorship,"[90] and the author of a work is "he to whom anything owes its origin; originator; maker."[91] In the past, the Supreme Court described the originality requirement as a minimal hurdle to copyright protection,[92] entailing only independent creation—not novelty or subjective aesthetic value.[93] *Feist* makes clear that "originality is a constitutional requirement,"[94] but explains that originality requires not only independent creation, but also "some creative spark."[95] Since "copyright assures *authors* the right to their *original* expression,"[96] and since some minimum level of creativity is required for a work to be original, it follows that one cannot be an author for copyright purposes without providing some creative spark that brings the work to light.[97] Thus, *Feist* reestablished the connection between authorship and creativity that was missing from copyright analysis ever since the Court rejected aesthetic merit as a test for copyrightability in *Bleistein v. Donaldson Lithographing Co.*[98]

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[88] Leval & Liman, *supra* note 83, at 5 (emphasis in original).

[89] 499 U.S. 340, 111 S. Ct. 1282 (1991).

[90] 17 U.S.C. § 102 (1988 & Supp. V 1993).

[91] Feist v. Rural Tel., 499 U.S. at 346, 111 S. Ct. at 1288 (citing Burrow-Giles Lithographic Co. v. Sarony, 111 U.S. 53, 58, 4 S. Ct. 279, 291 (1884)).

[92] Bleistein v. Donaldson Lithographing Co., 188 U.S. 239, 23 S. Ct. 289 (1903).

[93] Alfred Bell & Co., v. Catalda Fine Arts, Inc., 191 F.2d 99, 103 (2d Cir. 1951) ("Originality in this context 'means little more than a prohibition of actual copying.'"); Sheldon v. Metro-Goldwyn Pictures Corp., 81 F.2d 49, 54 (2d Cir. 1936), *cert. denied*, 298 U.S. 669, 56 S. Ct. 835 (1936) ("Borrowed the work must indeed not be, for a plagiarist is not himself pro tanto an 'author'; but if by some magic a man who had never known it were to compose anew Keats's Ode on a Grecian Urn, he would be an 'author,' and, if he copyrighted it, others might not copy that poem, though they might of course copy Keats's.")

[94] *Feist*, 499 U.S. at 346, 111 S. Ct. at 1288.

[95] *Id.* at 345, 111 S. Ct. at 1287. *See* PAUL GOLDSTEIN, COPYRIGHT § 2.2.1, at 10 (Supp. 1991). Professor Goldstein notes that the Court's opinion links creativity to originality in no fewer than sixteen places. *Id.* at 12, n.16c.

[96] *Feist*, 499 U.S. at 349, 111 S. Ct. at 1290 (emphasis in original).

C. *Employers as "Authors" under the Work for Hire Provision*

The work for hire provision in the Copyright Act appears to be at odds with the constitutional requirement that copyright be secured only to authors.[99] Courts have found, however, that the work for hire doctrine is constitutional because the employer's rights either are derived from the rights of the creative employee or stem from the employer's own independent creative contribution.[100] Nevertheless, as Judge Friendly noted in a frequently cited dissenting opinion:

> Art. I, sec. 8, authorizes only the enactment of legislation securing "authors" the exclusive right to their writings. It would thus be

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[97] The Supreme Court also has held:

> [An author] is the person who effectively is as near as he can be, the cause of the picture which is produced, that is, the person who has superintended the arrangement, who has actually formed the picture by putting persons in position and arranging the place where the people are to be.

Burrow-Giles Lithographic Co. v. Sarony, 111 U.S. 53, 61, 4 S. Ct. 279, 282 (1884). "[T]he main thrust of the above quotation seems to suggest that the person closest to the actual creative process is to be regarded as the author." NIMMER, *supra* note 19, § 1.06[C], at 1-44.32(7).

[98] 188 U.S. 239, 23 S. Ct. 298 (1903). *See* GOLDSTEIN, *supra* note 95, § 2.2.1, at 11. At issue in *Bleistein* was whether a poster advertising "The Great Wallace Shows" circus was subject to copyright protection. The Court rejected the arguments that the banality of the illustration and the commercial purpose of the work made it unworthy of protection.

[99] Professor Nimmer believes that the work for hire provision passes constitutional muster because § 201(b) of the Copyright Act allows the parties to agree otherwise as to the ownership of copyright rights. Thus, all Congress has done is create an implied assignment of copyright from the employee author to the employer that may be undone by the express will of the parties. Even though the parties cannot otherwise agree that the employee will be considered the author under the 1976 Act, the legal consequences that arise as a result of the work's status as a work made for hire do not favor the employer over the employee. "They go rather to the copyrightability of the work, and to the term of protection." NIMMER, *supra* note 19, § 1.06[C], at 1-44.32(9). In this regard, Nimmer diminishes the impact on the value of the copyright resulting from the unalterable status of the work as one made for hire. Even if the employee can bargain for the copyright, he is still denied the full rights of authorship that are granted to other authors. *See supra* text accompanying notes 47-51.

[100] Picture Music, Inc. v. Bourne, Inc., 457 F.2d 1213, 1216 (2d Cir.) *cert. denied*, 409 U.S. 997, 93 S. Ct. 320 (1972); Schmid Bros., Inc. v. W. Goebel Porzellanfabrik KG., 589 F. Supp. 497, 503 (E.D.N.Y. 1984) ("The Constitution . . . authorizes grants to 'authors' and not to their employers. An author may, of course, assign to her employer her rights to exploit the work. But an employer, to be regarded as an 'author,' must make some significant contribution to the work. The Constitution could hardly have contemplated that mere employment was enough.")

> quite doubtful that Congress could grant employers the exclusive right to the writings of employees regardless of the circumstances.[101]

Judge Friendly argues that the work for hire provision is consistent with the Copyright Clause "where the employer in fact tells the employee pretty much what to do," because in such circumstances, "the creativity can be said to be primarily the employer's."[102] His argument is consistent with the Supreme Court's holdings in both *Reid*[103] and *Feist*. Together, these cases can be read to stand for the proposition that Congress cannot vest rights of authorship under the Copyright Clause in an employer who was not a motivating factor without which the work would not have been created. However, when the employer *is* the "motivating factor in producing the work and inducing its creation . . . he may be considered a type of author."[104] For example, most individuals would not undertake to write a personnel policy manual for a particular organization unless they were employed to do so by that organization. The employer should obtain rights of authorship to such works because the employer's impetus is the *sine qua non* of the works' creation.

In the typical employer-employee context, the work for hire doctrine is justified further because a transfer of copyright to the employer could be implied fairly in the employment agreement. Employees would be unjustly enriched if they were compensated for their time and effort, and were able to retain copyright rights in the works as well. For this reason, the parties generally expect that the employer will own the copyright to the completed work.[105] Moreover, the employee has the opportunity to decline the employment offer or to strike a different bargain if the implied agreement is not satisfactory.[106] Thus, in most cases, the work for hire provision creates a statutory presumption that is consistent with the parties' mutual understanding.

For these reasons, the work for hire provision generally is consistent with the Copyright Clause. Employers often are the motivating factor without which the work would not have been created, either because "the employer in fact tells the employee pretty much what to do,"[107] or because a transfer of copyright can be implied fairly in the terms of employment. In either case, the employer provides the spark that brings the work to light. As applied in the usual employment situation, the doctrine also promotes the progress of science by giving employers a financial incentive to invest in the production of creative works. Since the employer usually bears all the financial burdens involved in creating new works, the employer also should reap the potential benefits.

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[101] Scherr v. Universal Match Corp., 417 F.2d 497, 502 (2d Cir. 1969) (Friendly, J., dissenting).

[102] *Id.*

[103] 490 U.S. 730, 109 S. Ct. 2166 (1989). In *Reid*, the Court held that the work for hire doctrine applies only when the hiring party has a "right to control the manner and means by which the product is accomplished." *See supra* note 56 and accompanying text. The "manner and means" test requires that the hiring party be in a position to tell the employee "pretty much what to do," as Friendly suggested.

[104] Dennis Angel & Samuel W. Tannenbaum, *Works Made for Hire Under S.22*, 22 N.Y.L. SCH. L. REV. 209, 219 (1976).

[105] *Id.* at 213.

[106] As noted previously, 17 U.S.C. § 201(b) only creates the presumption that the employer will own the copyright. The parties may agree otherwise that the employee will own the copyright to works he or she creates within the scope of employment.

D. *Authorship and the Academic Employment Context*

The justifications for applying the work for hire doctrine in the typical employment situation do not exist in the university context, however. The university employer generally is neither the motivating factor nor the creative spark behind the creation of professors' works. The publication requirement for tenure or contract renewal may contribute a sense of urgency to a nontenured professor's creative energies, but it is not the *sine qua non* of scholarly productivity. If it were, tenured professors would have no motivation to continue to write and publish. As discussed previously, the driving force behind scholarly creativity is the professor's own interest in enhancing his or her professional reputation.[108] The university does not have the right either to define the content of the work or to control the manner and means in which it is created. Consequently, the role of the university in the creation of professors' works lacks even the minimal level of creative input necessary to be considered authorship.

An intent to assign copyright also cannot fairly be implied from the context of the employment relationship. As the court noted in *Williams v. Weisser*,[109] both professors and universities have assumed that copyright in scholarly works belongs to professors for at least as long as the work for hire doctrine has been recognized in other employment contexts.[110] Hence, the implied assignment justification for the work for hire provision does not ring true when applied to the special university/professor relationship.[111]

Furthermore, university "authorship" of professors' works would not promote "the Progress of Science." To the contrary, it would create a disincentive for professors to create works of scholarship since it would reduce the economic motivation to create and would impede the dissemination of scholarly works. Professors would need permission from the university either to publish or to authorize others to use their own works, creating an unnecessary bureaucratic hurdle. They also would lose the ability to control the university's use or adaptation of their works, which potentially could result in a gradual diminution of the quality of scholarly productivity.[112]

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[107] *Scherr*, 417 F.2d 497, 502 (2d Cir. 1969) (Friendly, J., dissenting).

[108] *See supra* text accompanying notes 79-80.

[109] 78 Cal. Rptr. 542, 548-550 (Cal. Ct. App. 1969).

[110] The Supreme Court implicitly recognized an employer's copyright in a work created by its employees in *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 23 S. Ct. 298 (1903).

[111] *See supra* text accompanying note 105.

Thus, the work for hire provision of the Copyright Act is consistent with the Copyright Clause insofar as it applies to employers that are the "motivating force" that gives rise to the work's creation. If applied to professors, however, the work for hire provision would neither secure copyright rights to authors nor "promote the Progress of Science." To construe the work for hire doctrine to include professors would put the provision outside the scope of Congress' constitutional powers. Such a construction, therefore, cannot be presumed to be what Congress intended.

IV. First Amendment Implications

Even if vesting rights of authorship in university employers is within the power of Congress under the Copyright Clause, the work for hire provision, as applied in this context, nonetheless violates the First Amendment rights of professors. Professor Dreyfuss acknowledges that this objection would add ballast to the argument that the doctrine should not be applied to professors; however, she dismisses the First Amendment argument as "likely to be poorly received by the courts . . . [because] . . . control over work does not, of itself, limit an academic's prerogatives to continue to set down her thoughts or to speak out."[113] In fact, there appears to be widespread agreement that all of the exceptions built into the copyright law, such as the fair use and idea/expression merger doctrines, adequately protect free speech rights.[114]

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[112] As Professor Dreyfuss noted, the work for hire doctrine places control of the work in the hands of the party who is not likely to exploit it in a way that maximizes its social utility, if social utility of a creative work is to be measured in terms of quality and not just by raw output. Slavish attention to the demands of the public will inhibit creativity and will result in works intended to appeal to the broadest possible audience, rather than in high quality works on the cutting edge of scholarship for which there would be little market. Dreyfuss, *supra* note 19, at 605-609.

[113] *Id.* at 600.

[114] The prevailing view is that copyright law generally does not abridge free speech because it protects only an author's *expression*, and not the underlying facts or ideas. Thus, it does not restrain others from communicating ideas or concepts embodied in copyrightable works. *See* Harper & Row, Publishers, Inc. v. Nation Enter., 471 U.S. 539, 560, 105 S. Ct. 2218, 2230 (1985) (holding that First Amendment protection is "already embodied in the Copyright Act's distinction between copyrightable expression and uncopyrightable fact and ideas"); Zacchini v. Scripps-Howard Broadcasting Co., 433 U.S. 562, 577, 97 S. Ct. 2849, 2858 (1977) (noting in dicta, "[T]he Federal District Courts

A. *Academic Freedom and the First Amendment*

Dreyfuss overlooks another aspect of the First Amendment argument to which others have alluded, but which has not been explained adequately: the notion that principles of academic freedom should somehow create a "professors' exemption" from the application of the work for hire doctrine.[115] The idea that a university might own the fruits of its faculty's intellectual labors rubs against the common understanding of academic freedom. Professors typically claim academic freedom as a shield against interference by administrators in academic or political activities.[116] The prospect of a university using the copyright law to stifle unorthodox or politically incorrect speech strikes at the very heart of First Amendment values. Indeed, the Supreme Court has recognized that academic freedom is a "special concern of the First Amendment."[117] If greater First Amendment interests are at stake in the context of academic speech, it seems logical to conclude that a university controlling the content and dissemination of a professor's writings would be inconsistent with the First Amendment.

Unfortunately, a professor's claim to academic freedom has not been recognized as a constitutional right. This may seem surprising, given the soaring praise the Court has showered on academic freedom over the years.[118] Nevertheless, constitutional academic freedom is limited

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have rejected First Amendment challenges to the federal copyright law on the ground that 'no restraint [has been] placed on the use of an idea or concept.'"); Hearst Corp. v. Stark, 639 F. Supp. 970, 977 (N.D. Cal. 1986) ("This court has been unable to find any case in which the U.S. Supreme Court, or indeed any other federal court, has invalidated any section of the Copyright Act on First Amendment grounds."). The fair use doctrine, codified at 17 U.S.C. § 107, specifically allows others to use copyrighted works when the speech value of such use outweighs the economic or privacy interests of the copyright owner. *See* Time, Inc. v. Bernard Geis Assocs., 293 F. Supp. 130 (S.D.N.Y. 1968) (holding that the publication of still images from the Zapruder film of the assassination of President Kennedy in a book about the incident did not infringe the copyright). *See generally* NIMMER, *supra* note 19, § 1.10, at 1-63 to 1-98.4. While Professor Nimmer generally agrees with the above position, he also recognizes that "the demands of the First Amendment may require some limitation of copyright." *Id.* § 1.10[D], at 1-93.

[115] *See, e.g.*, *Hays*, 847 F.2d 412, 417 (7th Cir. 1988).

[116] Byrne, *supra* note 1, at 255.

[117] Keyishian v. Board of Regents, 385 U.S. 589, 603, 87 S. Ct. 675, 683 (1967).

[118] *See, e.g.*, Sweezy v. New Hampshire, 354 U.S. 234, 250, 77 S. Ct. 1203, 1211-12 (1957). The Court stated:

> The essentiality of freedom in the community of American universities is almost self-evident. No one should underestimate the vital role in a democracy that is played by those who guide and train our youth. To impose any strait jacket upon the intellectual leaders in our colleges and universities would imperil the future of our Nation. . . . Teachers and students must always remain free to inquire, to study and to evaluate, to gain new maturity and understanding; otherwise our civilization will stagnate and die.

See also, Shelton v. Tucker, 364 U.S. 479, 487, 81 S. Ct. 247, 251 (1960) ("The vigilant protection of constitutional freedoms is nowhere more vital than in the community of to the right of *universities* to be free from government interference with academic decision-making.[119] As applied to *professors*, constitutional academic freedom means only that government officials may not punish individual faculty members for the political or ideological content of their academic speech.[120] It does not mean, then, that professors have a constitutional cause of action against university officials for prohibiting faculty from teaching or writing about certain subjects, except insofar as the official may be seen as a state actor.[121]

American schools."); Keyishian v. Board of Regents, 385 U.S. at 603, 87 S. Ct. at 683 ("Our Nation is deeply committed to safeguarding academic freedom, which is of transcendent value to all of us and not merely to the teachers concerned. That freedom is therefore a special concern of the First Amendment, which does not tolerate laws that cast a pall of orthodoxy over the classroom."); Healy v. James, 408 U.S. 169, 180-81, 92 S. Ct. 2338, 2346 (1972) ("The college classroom with its surrounding environs is peculiarly the 'marketplace of ideas,' and we break no new constitutional ground in reaffirming this Nation's dedication to safeguarding academic freedom."); Minnesota State Bd. v. Knight, 465 U.S. 271, 104 S. Ct. 1058 (1984).

[119] Regents of the Univ. of Cal. v. Bakke, 438 U.S. 265, 98 S. Ct. 2733 (1978). However, even institutional academic freedom "remains little more than a potential constitutional right." Byrne, *supra* note 1, at 320. It was first recognized as a "peripheral right" in Griswold v. Connecticut, 381 U.S. 479, 483, 85 S. Ct. 1678, 1681 (1965). The Court stated in dicta that "freedom of the entire university community" is necessary to secure the specific freedoms enumerated in the First Amendment. *Id.* at 482, 85 S. Ct. at 1680. This rather vague formulation was fleshed out in *Bakke*:

> Academic Freedom, though not a specifically enumerated constitutional right, long has been viewed as a special concern of the First Amendment. The freedom of a *university* to make its own judgments as to education includes the selection of its student body.

438 U.S. at 312, 98 S. Ct. at 2759 (emphasis added). While *Bakke* promised a bright constitutional future for academic freedom, the scope of this fledgling right was eroded somewhat in University of Pa. v. EEOC, 493 U.S. 182, 110 S. Ct. 577. (1990) (EEOC subpoena regulation that required disclosure of confidential peer review material upon mere showing of relevance did not infringe any First Amendment right of the university). The Court expressly declined to define "the precise contours of any academic-freedom rights against governmental attempts to influence the content of academic speech." *Id.* at 198, 110 S. Ct. at 586.

[120] *See, e.g.*, Keyishian v. Board of Regents, 385 U.S. 589, 87 S. Ct. 675 (1967). The case involved a challenge to a New York law requiring faculty at state colleges and universities to take a loyalty oath certifying that they were not members of the Communist Party. Those who refused were subject to dismissal. Although the Court recognized academic freedom as a "transcendent value," it based its holding on other grounds. As Professor Byrne observes,

> The Court's rhetoric praises academic freedom as an institutional right to be free from orthodoxy prescribed by the government at large . . . . This focus on the protection of the system from government interference can easily be missed because the term academic freedom had always signified an individual right against any interference by laypersons.

Byrne, *supra* note 1, at 298.

[121] The state action doctrine limits judicial scrutiny of academic decisions to those of state universities. Professor Byrne explains, "Despite the general uncertainty about the state action doctrine, a rigid rule of application to universities has developed. Faculty

The constitutional status of individual academic freedom essentially comes down to the proposition that a state university is limited as to the proper grounds for, and procedures by, which it may punish professors for the content of their academic speech. Conversely, a private university would not violate its professors' constitutional rights by prohibiting or compelling publication of their scholarly works, as it apparently is entitled to do under the work for hire provision of the Copyright Act. Although such action undoubtedly would violate principles of academic freedom, academic freedom is not a constitutional right that professors can exercise against action taken by a private university.

B. *General First Amendment Theory and Academic Speech*

Even if academic freedom alone will not shield professors from the work for hire doctrine, this does not mean that either academic freedom or the First Amendment are irrelevant to the issue. General First Amendment principles protect professors, just as they protect other citizens from official government action that burdens or chills speech.[122] If academic freedom is truly "a special concern of the First Amendment,"[123] then the judicial enforcement of the work for hire doctrine in the academic arena might infringe a professor's First Amendment rights, even though the application of the work for hire doctrine in other contexts might not rise to the level of a constitutional violation.

1. The Burden on Academic Speech

Although it is clear that the use of the copyright law by a university to prohibit a professor from publishing certain works would be a direct

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and students at state universities enjoy extensive substantive and procedural constitutional rights against their institutions while faculty and students at private institutions enjoy none." Byrne, *supra* note 1, at 299.

Even in the state university arena, however, courts will refuse to meddle with academic decisions unless a plaintiff can show that an adverse decision was such a "substantial departure from accepted academic norms" that it was not truly based on professional criteria. Regents of the Univ. of Mich. v. Ewing, 474 U.S. 214, 225, 106 S. Ct. 507, 513 (1985). The professor who is penalized by the university must be able to prove that hostility toward his or her political beliefs was a substantial or motivating factor in the decision-making process. See Mount Healthy City Bd. of Educ. v. Doyle, 429 U.S. 274, 97 S. Ct. 568 (1977) (unanimous holding that a teacher may be fired even if the school board's decision was based in part on conduct protected by the First Amendment as long as the board can prove that it would have made the same decision without considering the protected conduct); Ollman v. Toll, 518 F. Supp. 1196 (D. Md. 1981), *aff'd*, 704 F.2d 139 (4th Cir. 1983) (decision of state university president, who refused to hire Marxist professor to be chair of Department of Government and Politics when recommendation sparked public controversy was upheld because the professor's political beliefs were not a substantial or motivating factor in denying the appointment).

[122] Van Alstyne, *supra* note 4, at 77-81.

[123] *Keyishian*, 385 U.S. at 603, 87 S. Ct. at 683.

restraint on a professor's speech, the First Amendment is not implicated unless the *government* burdens free expression. Thus, whether the work for hire doctrine imposes a burden on academic speech must be ascertained at the outset.

The work for hire provision burdens academic speech in two ways. First, it makes professors potentially liable for publishing their own works. If the university owns the copyright, professors must obtain permission from the university to publish their scholarly writings.[124] Otherwise, publication would infringe the university's copyright, subjecting the professor to civil (and possibly criminal) liability. Second, the provision creates a financial disincentive to publish works on subjects within the professor's area of expertise.[125] Of course, if this were the only constraint, the professor could still write and publish for free.[126] The First Amendment merely prohibits the government from abridging freedom of speech; it does not require the government actively to encourage people to speak or to compensate them for their speech. However, a law that eliminates a financial incentive to publish can be said to "abridge" the freedom to write because it imposes a financial burden on the writer's decision to invest time in uncompensated writing rather than in remunerative work. In some cases, the financial burden could be sufficient to deter the creation of a work altogether.

2. The Standard of Review

Since the work for hire doctrine burdens academic speech, a standard must be set to evaluate whether the doctrine is consistent with the First Amendment. Three standards of review have emerged from the Supreme Court's recent First Amendment decisions, ranging from a deferential, rational basis review to strict scrutiny.

Under the "rational basis" test, a content-neutral law of general applicability that only incidentally burdens speech will be upheld as long as it is rationally related to a legitimate government interest. This rational basis standard was used in *Employment Division, Department of Human Resources v. Smith*,[127] in which the Court held that an Oregon criminal statute prohibiting the use of illicit drugs, including peyote, did not violate the free-exercise rights of Native Americans who used peyote in religious rituals. The Court found the law to be a generally applicable, religiously neutral regulation in an area related to public health and safety—an area that a state legitimately may regulate. The mere fact that the law incidentally affects some religious practices does not render it invalid under the Free Exercise Clause.[128]

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[124] It could be argued that professors have the implied authority to act on the university's behalf in authorizing the publication of their own works. However, professors' own representations to publishers belie the assertion that they believe they are acting for the benefit of the university when granting publication rights to third parties. *See supra* note 35 and accompanying text.

[125] By automatically vesting ownership of the copyright in employers, the work for hire doctrine gives the university, not the professor, the exclusive right to exploit the professor's work. *See supra* text accompanying notes 7-8.

[126] *See supra* note 113 and accompanying text.

[127] 494 U.S. 872, 110 S. Ct. 1595 (1990).

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Similarly, in *Cohen v. Cowles Media Co.*,[129] the Court held that a newspaper that published the name of a confidential source could be liable under the common law theory of promissory estoppel. Such laws of general applicability, which burden protected speech only incidentally,[130] are not subject to strict scrutiny simply because they are applied against the press. By way of example, the Court noted that the press must comply with copyright laws, antitrust laws, and labor laws, among others.[131]

An intermediate level of review is applied to conduct-specific laws—those laws aimed primarily at specific conduct, but which also incidentally burden speech. Under the standard enunciated in *United States v. O'Brien*,[132] such a law is valid only if it advances a substantial or important government interest unrelated to the suppression of speech and is no more restrictive than necessary to accomplish its purpose. Originally conceived as a deferential standard, the *O'Brien* test has been used to invalidate regulations that are not well tailored to the purported government interest, particularly those regulations involving the cable television industry.[133]

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[128] In his opinion for the majority, Justice Scalia notes that this is not a law aimed at compelling or prohibiting "specifically religious activity," such as "bowing down before a golden calf," *id.* at 878, 110 S. Ct. at 1599, which would be subject to the compelling interest inquiry advocated by Justice O'Connor in her concurring opinion. Scalia does not explain how to determine what is "specifically religious activity."

O'Connor would apply a compelling interest balancing test to any law that substantially burdens the exercise of religiously motivated conduct, requiring the state to justify the application of the law by showing that it is narrowly tailored to achieve a compelling state interest. Scalia, on the other hand, believes that such a standard would require judges to determine which conduct is "central" to the exercise of religious beliefs, and which is only peripheral. He notes in dicta, "It is no more appropriate for judges to determine the 'centrality' of religious beliefs before applying a 'compelling interest' test in the free exercise field than it would be for them to determine the 'importance' of ideas before applying the 'compelling interest' test in the free speech field." *Id.* at 886-87, 110 S. Ct. at 1604.

Scalia's argument is disingenuous. In practice, the Court routinely distinguishes between the importance of ideas. For example, it has declared unequivocally that political speech is central to First Amendment concerns, while fighting words and obscene speech are not important enough to merit any protection by the First Amendment's compelling interest standard. *See* Chaplinsky v. New Hampshire, 315 U.S. 568, 62 S. Ct. 766 (1942); Sable Communications of Cal., Inc. v. FCC, 492 U.S. 115, 109 S. Ct. 2829 (1989). *See also* City of Ladue v. Gilleo, 114 S. Ct. 2038, 2045 (1994) ("Ladue's ordinance covers even such absolutely pivotal speech as a sign protesting an imminent governmental decision to go to war.").

[129] 501 U.S. 663, 111 S. Ct. 2513 (1991).

[130] There was no question of defamation in this case. The name of the confidential source was truthful information that was obtained by lawful means. See Smith v. Daily Mail Publishing Co., 443 U.S. 97, 103, 99 S. Ct. 2667, 2671 (1979) (holding that the publication of truthful information, lawfully obtained, is protected under the First Amendment); *accord* Florida Star v. B.J.F., 491 U.S. 524, 109 S. Ct. 2603 (1989).

[131] *Cohen*, 501 U.S. at 669, 111 S. Ct. at 2518.

[132] 391 U.S. 367, 376-77, 88 S. Ct. 1673, 1678-79 (1968). *O'Brien* involved a law

Content-based regulations receive the highest level of review. A content-oriented regulation that imposes a direct burden on speech is invalid unless it is narrowly tailored and necessary to advance a compelling government interest.[134] For example, in *Simon & Schuster, Inc. v. Members of N.Y. State Crime Victims Board*,[135] the Supreme Court invalidated New York's "Son of Sam" statute. The law required that the royalties from works by accused or convicted criminals that describe their crimes be deposited in an escrow account for their victims and creditors.[136] The Court held, "A statute is presumptively inconsistent with the First Amendment if it imposes a financial burden on speakers because of the content of their speech."[137] In order to justify different treatment of works about a particular subject, the state must show both that its regulation is necessary to serve a compelling state interest and that it is narrowly drawn to achieve that end.

Determining which standard should be applied in any particular case can be problematic. Laws that impinge upon First Amendment interests do not always fall into neat categories. Problems include identifying a burden that is incidental or a statute that is content-based. In addition, one may legitimately question what differentiates a content-neutral law of general applicability that receives the deferential, rational basis review under *Smith* and *Cohen* from a law primarily aimed at conduct that is subject to the *O'Brien* test.[138] Justice O'Connor has stated, "There

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prohibiting the destruction or mutilation of draft cards which was used to convict those protesting the war in Viet Nam who publicly burned their draft cards. The law was upheld because the incidental burden on political protest was deemed to be no more restrictive than necessary to further the government's substantial interest in raising an army by way of Selective Service.

[133] *See, e.g.*, Century Communications Corp. v. FCC, 835 F.2d 292 (D.C. Cir. 1987) (invalidating the FCC's must-carry regulations). *See also* Turner Broadcasting Sys., Inc. v. FCC, 114 S. Ct. 2445 (1994) (finding that the must-carry provisions of the Cable Television Consumer Protection and Competition Act of 1992 withstand the "heightened scrutiny" of the *O'Brien* test).

[134] Burson v. Freeman, 112 S. Ct. 1846 (1992); Simon & Schuster, Inc. v. Members of N.Y. State Crime Victims Bd., 502 U.S. 105, 112 S. Ct. 501 (1991).

[135] 502 U.S. 105, 112 S. Ct. 501 (1991) (while *Simon & Schuster* has been assigned a citation in UNITED STATES REPORTS, subsequent pagination is not available yet).

[136] 112 S. Ct. at 504-05. The money would be held for five years and would be returned to the criminal if the victim or his family did not file a civil action claiming damages within that time.

[137] 112 S. Ct. at 508.

[138] The Oregon controlled substance statute in *Smith* certainly was aimed primarily

is nothing talismanic about neutral laws of general applicability or general criminal prohibitions."[139] Even a content-neutral law may burden protected speech or conduct directly.[140] Accordingly, the Court's "free speech cases . . . recognize that neutral regulations that affect free speech values are subject to a balancing, rather than categorical, approach."[141]

At least this much of a general rule can be gleaned from a collective reading of the above cases: either the *O'Brien* test or a more rigorous review should be used *unless* a law is generally applicable and only incidentally burdens speech. The Court's decisions generally define an incidental burden on speech as one that is not intended by the purpose of the regulation.[142] Under this view, only statutes that aim to limit speech impose direct burdens.[143] If the purpose of the statute is "unrelated to the suppression of free expression,"[144] any effect on speech is characterized as incidental.

If the "incidental" nature of a First Amendment burden is determined by the purpose of the statute, then the key inquiry is whether the law is content-oriented or content-neutral.[145] However, is not always easy

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at conduct, but the Court declined to examine whether it was well-tailored to advance the state's interest. The Court made no attempt to distinguish *O'Brien* from this case. Indeed, Scalia would do away with the *O'Brien* test altogether. In his view, there should be no intermediate level of scrutiny requiring that an incidental restriction imposed by a general law aimed at regulating conduct be justified by an important government interest. *See* Barnes v. Glen Theatre, Inc., 501 U.S. 560, 567, 111 S. Ct. 2456, 2464 (1991) (upholding Indiana's public indecency statute banning totally nude dancing). The Court since has acknowledged, "[T]he enforcement of a generally applicable law may or may not be subject to heightened scrutiny under the First Amendment." Turner Broadcasting Sys., Inc. v. FCC, 114 S. Ct. 2445, 2458 (1994) (applying the *O'Brien* test to the "must carry" regulations of the Cable Television Consumer Protection and Competition Act of 1992).

[139] *See* Employment Div. v. Smith, 494 U.S. at 901, 110 S. Ct. at 1612 (O'Connor, J., concurring).

[140] *See* City of Ladue v. Gilleo, 114 S. Ct. 2038, 2045 (1994) ("Although prohibitions foreclosing entire media may be completely free of content or viewpoint discrimination, the danger they pose to the freedom of speech is readily apparent—by eliminating a common means of speaking, such measures can suppress too much speech."); *Turner Broadcasting*, 114 S. Ct. at 2449 ("Because the must-carry provisions impose special obligations upon cable operators and special burdens upon cable programmers, heightened First Amendment scrutiny is demanded.").

[141] Employment Div. v. Smith, 494 U.S. at 902, 110 S. Ct. at 1612, (O'Connor, J., concurring).

[142] *See* Cohen v. Cowles Media Co., 501 U.S. 663, 111 S. Ct. 2513 (1991); Employment Div. v. Smith, 494 U.S. 872, 110 S. Ct. 1595 (1990); *O'Brien*, 391 U.S. 367, 88 S. Ct. 1673 (1968).

[143] *See, e.g.*, Sable Communications of Cal., Inc. v. FCC, 492 U.S. 115, 109 S. Ct. 2829 (1989) (statute barring commercial telephone transmission of both obscene and indecent communications ("Dial-a-Porn") directly burdens protected speech).

[144] *O'Brien*, 391 U.S. at 376-77, 88 S. Ct. at 1678-79.

[145] *Gilleo*, 114 S. Ct. at 2047 (O'Connor, J., concurring) ("The normal inquiry that

to draw a bright line between content-oriented and content-neutral regulations.[146] In *Simon & Schuster*, the Court declared that statutes are content-neutral if they are intended to serve purposes unrelated to the content of regulated speech, despite their incidental effects on some speakers but not others.[147] On the other hand, if the overt purpose of the law is to prohibit or compel expression of a certain viewpoint or subject matter, the statute is clearly content-oriented. However, the purpose of the "Son of Sam" law in *Simon & Schuster* was to prevent criminals from profiting from the fruits of their crimes while their victims remained uncompensated for their injuries. The decision to apply strict scrutiny was based on the premise that the "Son of Sam" law burdened particular speech because of its content. Thus, it was not content-neutral on its face, even though its benign purpose may have been unrelated to content. Justice O'Connor, writing for the majority, commented in a footnote that even content-neutral regulations must be narrowly tailored to advance state-asserted interests when they directly burden First Amendment interests.[148] A regulation is not tailored narrowly if a substantial portion of the burden on speech does not advance the state's content-neutral goals.[149]

Judge Thomas Penfield Jackson observed that the common thread among cases evaluating both content-neutral and content-based regulations related to speech is the requirement that the regulation be narrowly tailored:

> [The] *sine qua non* of constitutional legitimacy for regulatory legislation having the effect of suppressing freedom of expression to the slightest degree [is that] the law in question go no farther than necessary to accomplish its objective.[150]

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our doctrine dictates is, first, to determine whether a regulation is content-based or content-neutral, and then, based on the answer to that question, to apply the proper level of scrutiny.").

146. *Turner Broadcasting*, 114 S. Ct. at 2449; Burson v. Freeman, 112 S. Ct. 1846, 1858 (1992) (Kennedy, J. concurring); *Simon & Schuster*, 112 S. Ct. at 514.

147. 112 S. Ct. at 511.

148. *Id.*

149. While acknowledging the state's compelling interest in victim compensation, the Court found the "Son of Sam" law to be fatally overinclusive as well as underinclusive. The law was overinclusive because it embraced *all* accused and convicted criminals, even if the offense was a victimless crime. Thus, the statute "clearly reaches a wide range of literature that does not enable a criminal to profit from his crime while a victim remains uncompensated." *Id.* The statute was also underinclusive because it did not require any of the criminals' nonroyalty income to be placed in a victim compensation escrow account.

150. *National Treasury Employees Union v. United States*, 788 F. Supp. 4, 10 (D.D.C. 1992), *aff'd*, 990 F.2d 1271 (D.C. Cir. 1993), *cert. granted*, 114 S. Ct. 1536, *and cert. dismissed*, 114 S. Ct. 1876 (1994).

In *National Treasury Employees Union v. United States*,[151] the Court of Appeals for the District of Columbia affirmed that a provision of the Ethics Reform Act,[152] which prohibited all federal government employees from receiving honoraria for extracurricular speeches and writings, was invalid insofar as it applied to executive branch employees. The court first found that, although the honoraria ban "prohibit[ed] no speech, it place[d] a financial burden on speech—denial of compensation."[153] The court stated that the government's interest in promoting its own integrity by avoiding the appearance of impropriety is undoubtedly substantial, and this interest is strong enough to outweigh the employees' interest in receiving compensation for their speech "where the compensation creates such an [undesirable] appearance."[154] However, the honoraria ban was deemed overinclusive because it banned income from scholarly speech, even speech unrelated to the subject of the employee's job that would not create an appearance of impropriety. Since the honoraria ban was not narrowly tailored to achieve the legitimate and substantial government interest it purported to advance, the court found that it offended the First Amendment as applied to executive branch employees.

C. *First Amendment Analysis of the "Work for Hire" Doctrine*

The application of the Supreme Court's First Amendment jurisprudence to the work for hire doctrine may appear at first to require a limited, rational basis review. After all, the Court specifically referred to copyright law as one of general applicability in *Cohen v. Cowles*.[155] On its face, the work for hire provision is content-neutral, and no evidence in the legislative history suggests that Congress intended the work for hire doctrine to apply only to works of a certain subject matter. It applies to all works created by any employee within the scope of employment. A burden on professors' freedom to publish may be seen merely as incidental to a general law that advances a legitimate government interest, if "incidental" is defined in relation to the *purpose* of the statute.

If, on the other hand, the First Amendment burden is defined in terms of the law's *effect*, then the application of the provision to professors should be subject to a more rigorous review. As noted above, the work for hire provision burdens academic speech by creating potential liability for the publication of one's own works, as well as by establishing a financial disincentive to create works of authorship. Burdens on speech such as these have been characterized by the Court as "direct."[156]

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[151] 990 F.2d 1271 (D.C. Cir. 1993), *cert. granted*, 114 S. Ct 1536, *and cert. dismissed*, 114 S. Ct. 1876 (1994).

[152] Pub. L. No. 101-194, § 601(b), 103 Stat. 1760 (1989) (codified at 5 U.S.C. § 501(b)).

[153] *National Treasury Employees Union*, 990 F.2d at 1273.

[154] *Id.* at 1274.

[155] 501 U.S. 663, 111 S. Ct. 2513 (1991).

Moreover, even though the work for hire provision may be content-neutral when applied to employees generally, it is content-oriented when applied to professors because it burdens only speech that falls within the subject matter that a professor is hired to teach. For most employees, scope of employment is defined not only in terms of subject matter, but also by factors such as whether the work is prepared as part of a job assignment while the creator is at work. Since professors do not keep normal working hours, they are said to be at work whenever they are thinking about the subject matter they are hired to teach.[157] For professors, everything they create within their subject area is potentially within the scope of their employment. Thus, the work for hire provision puts a direct financial burden on professors' speech because of its content, as did the "Son of Sam" law that the Court struck down in *Simon & Schuster*. Strict scrutiny, therefore, arguably is the proper standard of review.

Even if the work for hire doctrine would not be subject to strict scrutiny under *Simon & Schuster*, the doctrine still would be invalid under the more lenient *O'Brien* test or Justice O'Connor's balancing approach because it directly burdens academic speech. As Judge Jackson explained, any law that effectively burdens free speech values, whether content-based or not, must be narrowly tailored to advance at least an important government interest.[158]

The work for hire provision is not well tailored to further the government interest it purports to advance. The government has an undisputed compelling interest in promoting "the Progress of Science . . . by securing for limited Times to Authors . . . the exclusive Right in their . . . Writings."[159] It was toward this end that the work for hire provision was enacted. The notion that the employer was the copyright owner of works that its employees were hired to create was implicit in the Court's early decisions.[160] It is clear from the legislative history of the 1976 Act that Congress believed that making employers the authors of their employees' works was necessary both to encourage investment in creativity and to facilitate distribution of works with numerous contributors.[161] Licensing such works would be virtually impossible if each contributor were to own a part of the copyright. To the extent that the application of the work for hire provision to professors reaches beyond the intent of Congress to facilitate distribution of works that would not otherwise be created, it is over-inclusive.

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[156] See Hustler Magazine, Inc. v. Falwell, 485 U.S. 46, 108 S. Ct. 876 (1988); Florida Star v. B.J.F., 491 U.S. 524, 109 S. Ct. 2603 (1989). Both cases indicate that the imposition of civil liability on constitutionally protected speech is a direct burden, subject to strict scrutiny. The Supreme Court explicitly characterized a "financial disincentive" as a direct burden if it was targeted at speech in a particular subject area in *Simon & Schuster*, 502 U.S. 105, 112 S. Ct. 501 (1991). The Court's holding indicates that a burden is direct when the regulation is likely to affect either the content of the speech or the motivation of the speaker. *See also National Treasury Employees Union*, 990 F.2d at 1273.

[157] See Simon, *supra* note 12, at 505.

[158] *National Treasury Employees Union*, 788 F. Supp. 4 (D.D.C. 1992), *aff'd*, 990 F.2d 1271 (D.C. Cir. 1993), *cert. dismissed*, 114 S. Ct. 1876 (1994).

[159] U.S. CONST. art. I, § 8, cl. 8.

[160] See Bleistein v. Donaldson Lithographing Co., 188 U.S. 239 (1903).

Moreover, as applied to academic works, the work for hire provision undermines the goal of Congress. It not only creates a disincentive to produce works of authorship, it could have the effect of inhibiting the progress of science because those who are primarily entrusted with advancing knowledge in our society—namely, professors—would have no control over the manner in which their scholarship is disseminated. Professor Dreyfuss summarized the effect of taking away control of the creative process from professors as follows:

> In time, the mix of work created in the university setting may begin to change as universities subtly redirect their efforts toward works whose financial benefits are more easily captured, and as faculty members attempt to avoid the risks associated with producing works requiring sensitive fruition, dissemination, and usage decisions that they lack the power to control. . . . [I]f society relies upon academia as a mainspring of intellectual progress . . . then this alteration would be a profound one.[162]

Accordingly, the work for hire provision violates the First Amendment because it imposes a burden on academic speech that does not further the substantial government purpose the law is meant to achieve.

D. *Exemption of Professors from the Work for Hire Doctrine*

The next step in the analysis is to determine whether or not professors may be excluded from the work for hire provision or whether the constitutional infirmities discussed above require invalidation of the definition as applied to all employees.[163] The answer hinges on legislative intent. An otherwise valid statute may be unconstitutional only as applied to a certain class if "the statute will function in a manner consistent with the intent of Congress" without the offending application.[164]

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[161] *See* DISCUSSION ON THE REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE UNITED STATES COPYRIGHT LAW, 88th Cong., 1st Sess., pt. 2, 53-59 (1963); Varmer, *Works Made for Hire and on Commission*, COPYRIGHT OFFICE STUDY NO. 13, 86th Cong., 2d Sess. 130, 141 (Comm. Print 1960); Angel & Tannenbaum, *supra* note 104, at 212-213.

[162] Dreyfuss, *supra* note 29, at 630.

[163] Invalidation of subsection (1) of the work for hire definition in 17 U.S.C. § 101, which applies to works by employees, would not necessarily affect the application of subsection (2), which deals with works specially ordered or commissioned from independent contractors.

The work for hire provision would remain consistent with the intent of Congress if it did not apply to professors' works. In codifying the work for hire doctrine, Congress was most concerned about motion pictures and complex composite works.[165] Congress probably would have created a statutory exemption for professors had the issue been brought to its attention, since it was widely assumed that the common law work for hire doctrine did not apply to professors.[166] Few, if any, would have opposed such an exemption. Indeed, custom in academia continues to presume that professors own the copyrights to their own scholarly works.[167]

In some cases, the government's interest in the uniform application of the law outweighs any inconvenience it imposes on those who are not the primary targets of the law.[168] In this instance, however, the law imposes a direct burden on First Amendment interests. The question, therefore, is whether professors could be exempted from the provision without unduly interfering with the fulfillment of the government's objectives, or alternatively, whether uniform application of the doctrine to all employees is essential to accomplish the government's aim of encouraging investment in creative works.[169] If universities owned the rights to all their professors' scholarly works, would the universities then have a greater incentive to invest in scholarship? Would the universities, for example, hire more professors or reduce teaching loads to encourage or develop scholarly pursuits?

Some universities, in fact, might be more generous with grant money or leave time—at least for potentially valuable works—if they were assured of copyright ownership in their professors' works. In the instances in which a university assumes financial risks above the expected faculty compensation in order to foster scholarship, exempting the professor who is given the special consideration would interfere with the government's aim by unjustly enriching the professor at the expense of the risk-taking university. Ordinarily, however, a university is motivated to hire teachers and pay their salaries, build libraries and research facilities, and otherwise invest in scholarship not because it will reap the direct financial rewards of copyright ownership, but because a productive faculty enhances the university's own reputation, enabling it to attract students and donations. Since universities would be motivated to invest in scholarship in either case, exempting professors from the work for hire provision would not unduly interfere with Congress' purpose.

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[164] Alaska Airlines v. Brock, 480 U.S 678, 685, 107 S. Ct. 1476, 1480 (1987). *See also National Treasury Employees Union*, 990 F.2d at 1277-79.

[165] *See supra* note 161. *See also* DuBoff, *supra* note 5, at 26.

[166] *See* Williams v. Weisser, 78 Cal. Rptr. 542 (Cal. Ct. App. 1969).

[167] *See* Hays v. Sony Corp. of America, 847 F.2d 412 (7th Cir. 1988). *See also supra* text accompanying notes 69-71.

[168] *See* FTC v. Superior Court Trial Lawyers' Ass'n, 493 U.S. 411, 433-34, 110 S. Ct. 768, 780-81 (1990) (citing laws aimed at prohibiting stunt flying over residential neighborhoods to justify applying a "per se" rule against price fixing to a strike by lawyers representing indigent defendants; the Court notes that stunt flying laws apply even to skilled pilots, not just dangerous or reckless pilots); Citizen Publishing Co. v. United States, 394 U.S. 131, 89 S. Ct. 927 (1969) (antitrust laws held applicable to newspaper publishers even though they may have the incidental effect of burdening speech).

[169] *See* Employment Div. v. Smith, 494 U.S. 872, 905 110 S. Ct. 1595, 1614 (1990) (O'Connor, J., concurring).

The special place accorded to academic freedom in our society provides an additional justification for creating a professors' exemption. Although the doctrine may burden the free expression of *all* creative employees, the burden on academic speech is more significant constitutionally. As noted earlier, the Supreme Court repeatedly has declared that academic freedom is a "special concern of the First Amendment"[170] because it is essential to the preservation of democracy.[171] Therefore, professors have a special interest in the "effective exercise of the rights which are safeguarded by the Bill of Rights."[172]

Furthermore, other copyright doctrines that mitigate the effects of the work for hire provision as it pertains to other employees do not apply equally in the academic setting.[173] For example, the idea/expression dichotomy protects other creative employees, but not professors. Other creative employees are not liable for using ideas that are related to their employment in works created outside the scope of employment. However, if it is true that professors "work when they think,"[174] then any form of expression that is related to the professor's academic discipline may be considered within the scope of employment. Professors are not shielded from copyright liability simply by setting down their scholarly ideas only at home or only after hours.

To summarize the foregoing argument, applying the work for hire provision to scholarly works is inconsistent with the First Amendment. Even though a private university would not violate the constitutional rights of professors by claiming ownership of its faculty's scholarship as works made for hire, the provision itself may violate general First Amendment principles because it imposes an undue burden on academic speech that is not justified by the government interests that the law is meant to advance. The exclusion of scholarly works from the purview of the work for hire doctrine would not interfere with the intent of the statute. Accordingly, a constitutionally based professors' exemption is defensible because academic speech so directly implicates First Amendment values.

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[170] Keyishian v. Board of Regents, 385 U.S. 589, 603, 87 S. Ct. 675, 683 (1967).

[171] Sweezy v. New Hampshire, 354 U.S. 234, 77 S. Ct. 1203 (1957).

[172] Shelton v. Tucker, 364 U.S. 479, 487, 81 S. Ct. 247, 251 (1960).

[173] *See supra* note 114 and accompanying text.

[174] *See* Simon, *supra* note 12, at 505. *See also* text accompanying *supra* note 154.

CONCLUSION

The work for hire provision of the Copyright Act should not be interpreted to encompass scholarly works written by professors. Academic works usually are not created within the scope of employment because universities generally do not control the manner and means by which professors perform their scholarly work. Most scholarly activity is protected by principles of academic freedom that, if not expressly incorporated into the faculty contract, are implied in the employment relationship. Furthermore, professors typically produce scholarly works not because their employment contracts require them to do so, but to advance their own professional reputation.

Even if professors' scholarship is within the scope of employment, the Constitution requires the creation of a professors' exemption. Application of the work for hire doctrine to the academic context would be contrary to the underlying purpose of copyright as understood by the Framers—that is, as a right to be granted to authors for the encouragement of learning. Thus, Congress does not have the power under the Copyright Clause of the Constitution to vest copyright ownership in an employer that is not the motivating force that compels the employee to create the work. To treat professors' scholarship as work made for hire also would burden unduly speech that is fundamental to First Amendment concerns. Although the government has a compelling interest in promoting the "Progress of Science," the application of the work for hire doctrine to professors undermines that goal. Since this result apparently was inadvertent, interpreting the work for hire provision to exclude professors' scholarly works would tailor the statute to the requirements of the First Amendment without thwarting the intent of Congress.

OWNERSHIP OF COPYRIGHTABLE WORKS OF UNIVERSITY PROFESSORS: THE INTERPLAY BETWEEN THE COPYRIGHT ACT AND UNIVERSITY COPYRIGHT POLICIES*

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I. INTRODUCTION

The ownership of copyrightable works produced by university professors has become an issue of interest in the scholarly world since the publication in 1983 of an influential article on the subject.[1] The ownership issue has become of interest also to university administrators since the 1970s, when administrators began to covet certain of these copyrightable works for their universities.[2] The broader topic of the commercialization of all the products of university research, patentable, copyrightable and other, has become a subject of general interest and concern in the past

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[1] *See* Todd F. Simon, "Faculty Writings: Are They 'Works Made for Hire' Under the 1976 Copyright Act?," 9 *J.C.U.L.* 485 (1983). Simon concludes that university professors do not own their copyrightable works under copyright law and advises university professors to obtain a written agreement from the university that guarantees ownership of the copyright to the professor. *See also* Rochelle C. Dreyfuss, "The Creative Employee and the Copyright Act of 1976," 54 *U. Chi. L. Rev.* 590 (1987) (contending that removal of copyright ownership from creators will reduce quality and quantity of created work); Leonard D. DuBoff, "An Academic's Copyright: Publish and Perish," 32 *J. Copyright Soc'y* 17 (1985) (arguing that work-made-for-hire doctrine as codified could undermine professors' incentive to create); J.H. Reichman, "Computer Programs As Applied Scientific Know-How: Implications of Copyright Protection for Commercialized University Research," 42 *Vand. L. Rev.* 639 (1989) (surveying problems in university policy regarding computer software).

[2] For a further discussion of the interest of universities in ownership of works produced by university professors, *see infra* notes 120-58 and accompanying text.

decade.[3] The purposes of this Article are narrow: to address the questions of who now owns the copyrightable works of professors, how universities currently attempt to control such ownership issues, and how these issues should be controlled.

Part II presents an analysis of work-made-for-hire[4] cases under the Copyright Act of 1909 (the 1909 Act).[5] This analysis differs from that of prior commentators by making clear the limited role of agreements that grant the employee ownership of the copyright in employee-created works. Part III explores the existence of an exception for professors from the work-made-for- hire doctrine prior to the Copyright Act of 1976 (the 1976 Act).[6] Part IV corrects a mistaken view of the impact of the 1976 Act, which is widely accepted, though unpopular with commentators and courts.[7] Part V discusses whether university copyright policies are effective to alter copyright ownership. Part VI analyzes and critiques the copyright policies at seventy leading research universities in effect at some time between February of 1990 and February of 1991 inclusive. Part VII makes recommendations concerning the structure within which copyright ownership issues between the university and professors should be resolved.

II. WORKS MADE FOR HIRE UNDER 1909 ACT

The judicially-created doctrine of works made for hire was first codified in the Copyright Act of 1909.[8] Prior to the 1909 revision of the Copyright Act, courts had applied work-made-for-hire principles in some cases, but by no means uniformly, and usually with relatively little comment.[9] The work-made-for-hire provision of the 1909 Act appears, based on the sparse legislative history, to be a codification of prior case law.[10] Representatives of publishers' organizations at the Librarian's Conference on Copyright in 1905[11] commented that although courts were holding employers to be the owners of copyright in works produced by their employees, adoption of an express provision to that effect was desirable.[12] Section 26 of the 1909 Act provided merely that "the

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[3] *See, e.g.*, Reichman, *supra* note 1, at 646-47; Wayne Biddle, "A Patent on Knowledge," Harper's, July 1981, at 22; Naomi Freundlich, "Business Goes to College," *Bus. Wk.*, June 16, 1989, at 50; "Institutions and Scholars Face Ethical Dilemmas Over Pursuit of Research with Commercial Value," *Chron. Higher Educ.*, July 29, 1987, at 11; "The Big Bucks of Biology," *Newsweek*, Apr. 5, 1982, at 69.

[4] Throughout this Article the term, "work made for hire," means work made for hire within the terms of the federal Copyright Act or within the terms of common law copyright. Unless indicated otherwise, the term, "work made for hire," does not herein connote work made for hire within the terms of an employment contract.

[5] Copyright Act of 1909, ch. 320, §§ 1-64, 35 Stat. 1075 (current version codified at 17 U.S.C. §§ 101-914 (1988)).

[6] Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified as amended at 17 U.S.C. §§ 101-914 (1988)).

[7] For a discussion of conflicting interpretations of the 1976 Act, *see infra* notes 51-94 and accompanying text.

[8] Copyright Act of 1909, ch. 320, § 62, 35 Stat. 1075, 1087-88 (codified as amended at 17 U.S.C. § 201(b) (1988)); *see, e.g.*, *Murray v. Gelderman*, 566 F.2d 1307, 1309 (5th Cir. 1978) (recognizing that 1909 Act was first federal statute to give employers ownership of works made for hire). The previous major revision of the Copyright Act, the Copyright Act of 1870, provided that the author, inventor, designer or proprietor had the sole liberty of printing, and otherwise using the work, and

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contained no provision dealing with work made for hire. *See* Copyright Act of 1870, ch. 230, § 86, 16 Stat. 198, 212 (codified as amended at 17 U.S.C. §§ 106, 201(a) (1988)).

[9] Some cases showed hostility to the doctrine of works made for hire. *See, e.g., Pierpont v. Fowle*, 19 F. Cas. 652 (C.C.D. Mass. 1846) (No. 11,152); *Binns v. Woodruff*, 3 F. Cas. 421 (C.C.D. Pa. 1821) (No. 1,424). The court in *Pierpont* denied the existence of a judicially-created work- made-for-hire doctrine and criticized an act of Parliament establishing such a rule as aiding "those kinds of patrons, who fatten on the labors of genius." *Pierpont*, 19 F. Cas. at 660. In *Binns*, the court construed the Copyright Act of April 29, 1802, to deny copyright to one whose employees had designed a print, since the employer had not "represented the subject in some visible form" with his own hands. *Binns*, 3 F. Cas. at 423-24; *see also Boucicault v. Fox*, 3 F. Cas. 977, 980 (C.C.S.D.N.Y. 1862) (No. 1,691) ("[T]itle to literary property is in the author whose intellect has given birth to the thoughts," not in the employer for whom the work was written.).

In cases decided prior to the 1909 Act, in which work-made-for-hire principles were applied, courts dealt with the doctrine briefly, and did not usually expressly integrate the doctrine into the statute by stating that the employer fell within a term in the statute, such as "author" or "proprietor." *See, e.g., Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 248 (1903) (Court's entire discussion of work-made-for-hire principles: "There was evidence warranting the inference that the designs belonged to the plaintiffs, they having been produced by persons employed and paid by the plaintiffs in their establishment to make those very things."); *Hanson v. Jaccard Jewelry Co.*, 32 F. 202, 203 (C.C.D. Mo. 1887) (finding copyright in pamphlet belonged to railroad company because produced at its "instance and expense"); *Schuberth v. Shaw*, 21 F. Cas. 738, 738 (C.C.E.D. Pa. 1879) (No. 12,482) (assuming that employer owned copyright, rather than employee who composed work); cf. *Edward Thompson Co. v. American Law Book Co.*, 119 F. 217, 219-20 (N.Y.C.C. 1902) (stating employer was within meaning of term "proprietor" in statute).

[10] For a comprehensive source of the legislative history of the 1909 Act, *see* E. Fulton Brylawski & A.B.E. Goldman, *Legislative History of the 1909 Copyright Act* (1976).

[11] Two sessions of this conference were held, May 31-June 2, 1905, and November 1-4, 1905, at the suggestion of the Chairman of the Senate Committee on Patents for the purpose of discussing a general revision of the Copyright Act. Letter of Herbert Putnam, Librarian of Congress (Apr. 10, 1905), reprinted in Brylaswki & Goldman, *supra* note 10, at C vii.

[12] "Report of the Proceedings of the Librarian's Conference on Copyright," reprinted in Brylawski & Goldman, *supra* note 10, at C 100 (statement of Mr. Furniss); D 65 (statement of Mr. Elson); E 153 (statement of Mr. Luckling); E 155 (statement of Mr. Ames).

word 'author' shall include an employer in the case of works made for hire."[13] As author, the employer was entitled to obtain copyright under section 9.[14] The 1909 Act did not define the term "works made for hire." Further, the act did not address how to vary the ownership result produced by the statute. The Copyright Office prepared two memoranda drafts with clauses that would have made the work-made-for-hire provision expressly subject to an agreement to the contrary.[15] These clauses did not appear in the bills considered by Congress prior to adoption of the 1909 Act or in the 1909 Act itself.

In cases decided under the provision of the 1909 Act, courts were given no guidance by the statute as to when a work was a work made for hire.[16] In cases in which existence of a work made for hire was an issue, some courts defined a work made for hire as a work produced by an employee for his employer in the "scope" or "course" of his employment.[17] In many cases courts decided whether the work was for hire based on the facts of the employment relationship and the circumstances surrounding the creation of the work. The facts expressly considered by the courts varied widely from case to case and included: (1) whether the work was produced on the purported employer's time; (2) whether the purported employer paid for materials, equipment, and other labor used in creating the work; (3) whether the work was produced in the purported employer's place of business; (4) whether the purported employee received a salary; (5) whether the purported employer had the right to supervise the manner in which work was performed; (6) whether the purported employer did exercise such right to supervise; (7) whether the contract referred to the purported employee as an "employee"; and (8) whether the purported employer instigated creation of the work.[18]

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[13] Copyright Act of 1909, ch. 320, § 62; 35 Stat. 1075, 1087-88.

[14] Copyright Act of 1909, ch. 320, § 9, 35 Stat. 1075, 1077 (codified as amended at 17 U.S.C. § 201(a) (1988)). "The author or proprietor of any work made the subject of copyright by this title, or his executors, administrators, or assigns, shall have copyright for such work under the conditions ... specified in this title...." *Id.*

[15] "Memorandum Draft of a Bill to Amend and Consolidate the Acts Respecting Copyright," reprinted in Brylawski & Goldman, *supra* note 10, at D LIX, E XXX.

[16] Since the work-made-for-hire provisions of the 1976 Act apply prospectively, cases are still being decided under the 1909 Act. *See Roth v. Pritikin*, 710 F.2d 934, 937 (2d Cir.) (stating that 1976 Act does not govern agreements entered into before act's effective date, January 1, 1978), *cert. denied*, 464 U.S. 961 (1983); *May v. Morganelli-Heumann & Assocs.*, 618 F.2d 1363, 1368 n.4 (9th Cir. 1980) (stating work-made-for-hire provisions of 1976 Act do not apply retroactively); *National Broadcasting Co. v. Sonneborn*, 630 F. Supp. 524, 532-33 (D. Conn. 1985) (finding work-made-for-hire provisions of 1976 Act do not control works created before January 1, 1978). *Contra Rand McNally & Co. v. Fleet Management Sys.*, 591 F. Supp. 726, 737 (N.D. Ill. 1983) (finding work-made-for-hire provisions of 1976 Act govern materials created before January 1, 1978 that were published and registered after that date).

[17] *See, e.g., Scherr v. Universal Match Corp.*, 417 F.2d 497, 500 (2d Cir. 1969) (stating employee-created work within scope of employment as part of employment duties is property of employer), *cert. denied*, 397 U.S. 936 (1970); *Reporters Comm. for Freedom of Press v. Vance*, 442 F. Supp. 383, 386 (D.D.C. 1977) (stating that "work created by an employee within the scope of employment is the property of the employer"); *Kinelow Publishing Co. v. Photography in Business, Inc.*, 270 F. Supp. 851, 853 (S.D.N.Y. 1967) (stating that article prepared by employees in regular course of business belongs to employer); *Fred Fisher Music Co. v. Leo Feist, Inc.*, 55 F. Supp. 359, 360 (S.D.N.Y. 1944) (stating that "work made for hire by an employee in the regular course of his employment" belongs to employer). In cases in which the existence of a work made for hire was an issue, relatively few courts defined or referred to a work made for hire as a work created by an employee within the scope or course of his employment.

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[18] Compare *Fred Fisher Music Co.*, 55 F. Supp. at 360 (considering fact that employee agreed to write songs for employer who promised to pay regular weekly salary) with *Olympia Press v. Lancer Books, Inc.*, 267 F. Supp. 920, 924 (S.D.N.Y. 1967) (considering facts that translator worked in cafes and at home, proposed works for translation, submitted unsolicited translations, was paid in lump sum; typing was done at translator's expense, while publisher did not control style and content). *See also Universal Match*, 417 F.2d at 500-01 (considering employer's right and exercise of right to direct and supervise manner in which work was performed; use of employer's funds, time and facilities; payment of compensation; and assignment of work by employer); *Tobani v. Carl Fischer, Inc.*, 98 F.2d 57, 59 (2d Cir. 1938) (considering facts that contract recognized arranger as employee, employee received weekly salary, and employer specified type of composition to be produced); *National Cloak & Suit Co. v. Kaufman*, 189 F. 215, 216-17 (M.D. Pa. 1911) (considering facts that employer caused book to be written, made large outlays in production of work, and supervised artists and authors carefully); *Schmid Bros. v. W. Goebel Porzellanfabrik K.G.*, 589 F. Supp. 497, 503-04 (E.D.N.Y. 1984) (finding work not made for hire because nun had full artistic control, work done not on orders of convent, work done in free time, and convent incurred only minimal expense); *Vance*, 442 F. Supp. at 386-87 (considering facts that work produced to comply with regulations, and government time, employees, equipment and materials used); *Kinelow*, 270 F. Supp. at 853 (considering facts that article produced at expense and under sponsorship of employer); *Von Tilzer v. Jerry Vogel Music Co.*, 53 F. Supp. 191, 193-94 (S.D.N.Y. 1943) (considering fact that work done from nine to five in employer's place of business for fixed salary).

Some courts neither defined works made for hire nor explicitly considered the particular conditions of the relationship between the parties in order to determine whether the work was for hire, appearing to assume a relationship sufficient to create a work made for hire. *See, e.g.*, *Yale Univ. Press v. Row, Peterson & Co.*, 40 F.2d 290, 291 (S.D.N.Y. 1930) (finding book copyrightable by employer of book's compilers). Not surprisingly, some of these cases dealt with the works of independent contractors. *See, e.g.*, *May*, 618 F.2d at 1368-69 (treating independent contractors as employees under work-made-for-hire doctrine); *Herbert Rosenthal Jewelry Corp. v. Grossbardt*, 428 F.2d 551, 554 (2d Cir. 1970) (finding designer of pin, hired as independent contractor, had no claim to copyright).

There developed independent of the work-made-for-hire cases two related lines of cases, the commissioned-photography and commissioned-art-work cases. *See Yardley v. Houghton Mifflin Co.*, 108 F.2d 28 (2d Cir. 1939), *cert. denied*, 309 U.S. 686 (1940); *Avedon v. Exstein*, 141 F. Supp. 278 (S.D.N.Y. 1956). Courts in these cases held that a commissioned photograph or work of art belonged to the commissioning party. *Yardley*, 108 F.2d at 30-31; *Avedon*, 141 F. Supp. at 279. These decisions did not purport to be, nor did they rely on, work-made-for-hire cases. The court in

Many cases decided after 1960 stated that the rule that the copyright in a work made for hire vested in the employer could be overcome by evidence of an agreement between employer and employee giving the employee ownership of the copyright.[19] The existence of such an agreement

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Yardley, dealing with a commissioned work of art, stated that there was only one case on point (*Dielman v. White*, 102 F. 892 (C.C.D. Mass. 1900)), and relied, by analogy, on the line of photography cases which held that the copyright vests in the party that commissioned and paid for the photographs. *Yardley*, 108 F.2d at 30-31. The court in *Avedon*, dealing with a commissioned photograph, relied on "a long line of photography cases" and did not mention § 26 of the 1909 Act or work-made-for-hire cases. *Avedon*, 141 F. Supp. at 279; *see also Lumiere v. Robertson-Cole Distrib. Corp.*, 280 F. 550 (2d Cir. 1922) (stating that copyright to photographs vests in party that commissioned and paid for photographs).

Note that in cases in which the work-made-for-hire doctrine was applied to commissioned works or to works which were possibly commissioned works, the courts frequently considered only whether the work was produced at the "instance" and "expense" of the commissioning party. *See, e.g., Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565, 567 (2d Cir. 1966) (finding work-made-for-hire doctrine applicable whenever work made at "instance and expense" of commissioning party); *National Broadcasting Co.*, 630 F. Supp. at 532 ("In the absence of evidence to the contrary, ownership of the copyright would ... be presumed to lie with the 'person at whose instance and expense the work [was] done.'" (quoting *Brattleboro Publishing Co.*, 369 F.2d at 567)); *Goldman-Morgen, Inc. v. Dan Brechner & Co.*, 411 F. Supp. 382, 391 (S.D.N.Y. 1976) (finding work-made-for-hire doctrine applicable whenever work produced at instance and expense of commissioning party); *Irving J. Dorfman Co. v. Borlan Indus., Inc.*, 309 F. Supp. 21, 23 (S.D.N.Y. 1969) (stating that when independent contractor produces work at instance and expense of commissioning party, work-made-for-hire doctrine applies); *Electronic Publishing Co. v. Zalytron Tube Corp.*, 151 U.S.P.Q. (BNA) 613, 616-17 (S.D.N.Y. 1966) (stating that, where employer engages independent contractor to produce copyrightable work, copyright vests in party at whose instance and expense work was performed); *Gustave v. Zuppiger*, 540 P.2d 176, 178 (Ariz. Ct. App. 1975) (finding common law copyright vests in party at whose instance and expense work was performed).

[19] *See, e.g., May*, 618 F.2d at 1369 (stating that § 26 "must be read as creating a presumption of copyright in the employer which may be rebutted only by a preponderance of evidence of a contrary agreement as between the parties" (quoting 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 5.03[D] (1991))); *Universal Match*, 417 F.2d at 500 (stating that § 26 "creates a rebuttable presumption of copyright in the employer, a presumption which can be overcome by evidence of a contrary agreement between the parties"); *Charron v. Meaux*, 60 F.R.D. 619, 625 (S.D.N.Y. 1973) (stating that § 26 must be read as creating rebuttable presumption that copyright vests in employer); *Royalty Control Corp. v. Sanco, Inc.*, 175 U.S.P.Q. (BNA) 641, 643 (N.D. Cal. 1972) (stating that § 26 creates rebuttable presumption of copyright in employer).

These decisions, which held that § 26 creates a rebuttable presumption, rather than an absolute rule, of ownership in the employer in the case of a work made for hire, occurred at the same time as, and may have been caused by, the proliferation of decisions explicitly applying the work-made-for-hire doctrine to the work of independent contractors. *See, e.g., Brattleboro Publishing Co.*, 369 F.2d at 568; *Electronic Publishing Co.*, 151 U.S.P.Q. (BNA) at 616-17. Prior to the 1960s, was an issue only if a work made for hire had been found.[20] If the work was not a work made for hire, then section 26 did not apply and the creator of the work was entitled to the copyright to the work as its author under section 9.[21]

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courts did not apply the work-made-for- hire doctrine to the works of independent contractors. See House Comm. on the Judiciary, 87th Cong., 1st Sess., "Report of the Register of Copyrights on the General Revision of U.S. Copyright Laws" 86 (Comm. Print 1961) ("The courts, however, have not generally regarded commissioned works as 'made for hire.'").

Under the commissioned-photograph and the commissioned-art-work cases, if a photograph or painting was commissioned, the commissioning party was entitled to the copyright unless the artist by the terms of the contract reserved the copyright to himself or herself. *See, e.g.*, *Yardley*, 108 F.2d at 30-31 (stating that where city commissioned artist to paint mural for school, there is rebuttable presumption that city owns copyright in mural); *Avedon*, 141 F. Supp. at 279-80 (stating that party who hires photographer owns copyright in photograph unless photographer expressly reserves copyright); *Dielman v. White*, 102 F. 892, 894 (C.C.D. Mass. 1900) (stating that copyright in commissioned work of art belongs to hiring party unless artist reserves copyright to himself). Starting in the 1960s, the commissioned-photograph and the commissioned-art-work lines of cases were subsumed into the work-made-for- hire doctrine. *See Brattleboro Publishing Co.*, 369 F.2d at 568 (copyright for work of independent contractor vests in employer, relying on *Yardley*); *Electronic Publishing Co.*, 151 U.S.P.Q. (BNA) at 616-17 (stating that *Yardley* decision is applicable to works of independent contractor). The treatment of § 26 as a rebuttable presumption arguably resulted from the injection of the commissioned-photograph and the commissioned-art-work lines of cases into the work-made-for-hire line of cases.

A majority of the decisions stating that § 26 created a rebuttable presumption, rather than an absolute rule, of copyright ownership in the paying party involved independent contractors. *See, e.g.*, *Samet & Wells, Inc. v. Shalom Toy Co.*, 429 F. Supp. 895 (E.D.N.Y. 1977); *Irving J. Dorfman Co.*, 309 F. Supp. 21; *Boulez v. Commissioner*, 83 T.C. 584 (1984).

[20] *Royalty Control Corp.*, 175 U.S.P.Q. (BNA) at 643. "Thus, where an employment relationship is present, determination of ownership of a copyright requires a resolution of whether or not the employment relationship is such as to invoke the 'works for hire' provision of Section 26 and its attendant presumption of ownership in the employer." *Id.*

Courts stating that § 26 created a presumption decided, first, whether there was an employment or commissioned relationship sufficient to establish a work made for hire and, second, whether there was an agreement between the employer and employee that the employee own the copyright, thus rebutting the presumption. *Murray v. Gelderman*, 566 F.2d 1307, 1310-11 (5th Cir. 1978) (finding that author created work as employee and failed to overcome presumption of employer ownership because no facts suggested parties intended employee to have copyright); *Frontino v. Avon Prods., Inc.*, 197 U.S.P.Q. (BNA) 713, 714 (S.D.N.Y. 1977) (finding relationship between parties was commissioning party and independent contractor; independent contractor's evidence did not rebut presumption of employer ownership); *Boulez*, 83 T.C. at 595-96 (finding conductor was independent contractor to whom work-made-for-hire doctrine applied; contract reserved no rights in recordings to independent contractor).

[21] *See Van Cleef & Arpels, Inc. v. Schechter*, 308 F. Supp. 674, 679 (S.D.N.Y. 1969). Where no work made for hire is found, no presumption of copyright ownership in the employer arises. *Id.*

The treatment of section 26 as creating a presumption, rather than an absolute rule, of copyright ownership in the employer was frequently not of great importance in cases decided under the 1909 Act.[22] Courts sometimes found works made for hire and concluded that the employer was entitled to the copyright without any reference to a "presumption" or without raising the possibility of a contrary agreement.[23] In a number of other cases in which works made for hire were found, the courts addressed the possibility of a contrary agreement in cursory fashion, simply stating that insufficient rebuttal evidence had been presented.[24] There are very few reported cases in which a court found a contrary agreement, remanded for further consideration of the existence of a contrary agreement, or denied summary judgment on the grounds that there was an issue of fact as to the existence of a contrary agreement.[25]

"The plaintiff has failed to prove ... the relationship of employer and independent contractor existed between [plaintiff] and [designers] so as to entitle the plaintiff to the presumption of copyright ownership." *Id.*

In some cases in which no work made for hire was found, the decision did not state that § 26 creates a presumption, rather than an absolute rule, of copyright ownership in the employer. E.g., *Epoch Producing Corp. v. Killiam Shows, Inc.*, 522 F.2d 737 (2d Cir. 1975), *cert. denied*, 424 U.S. 955 (1976); *Donaldson Publishing Co. v. Bregman, Vocco & Conn, Inc.*, 375 F.2d 639 (2d Cir. 1967); *Schmid Bros.*, 589 F. Supp. 497. This is not surprising since, if no work made for hire is found, the rule that the employer holds the copyright does not apply, and there is no need to ask whether the parties agreed to the contrary.

[22] The truth of this statement is not necessary to my thesis that the 1976 Act did not abolish the exception for professors from work made for hire.

[23] *Shapiro, Bernstein & Co. v. Bryan*, 123 F.2d 697, 700 (2d Cir. 1941); *Reporters Comm. for Freedom of the Press v. Vance*, 442 F. Supp. 383, 386-87 (D.D.C. 1977); *R. Dakin & Co. v. Charles Offset Co.*, 441 F. Supp. 434, 438 (S.D.N.Y. 1977); *Fred Fisher Music Co. v. Leo Feist, Inc.*, 55 F. Supp. 359, 360 (S.D.N.Y. 1944).

[24] *Murray*, 566 F.2d at 1311 (finding that creator alleged no facts suggesting parties intended creator to own copyright); *Scherr v. Universal Match Corp.*, 417 F.2d 497, 500 (2d Cir. 1969) (finding that sculptors' bare allegations of agreement contrary to presumption did not create triable issue of fact), *cert. denied*, 397 U.S. 936 (1970); Frontino, 197 U.S.P.Q. (BNA) at 714 (finding creator's evidence not sufficient to rebut presumption in favor of employer); *Bertolino v. Italian Line*, 414 F. Supp. 279, 284 (S.D.N.Y. 1976) (finding no evidence of express or implied reservation of copyright by artist).

[25] *Real Estate Data, Inc. v. Sidwell Co.*, 809 F.2d 366, 377 (7th Cir. 1987) (remanding for further findings as to existence of contrary agreement), *aff'd*, 907 F.2d 770 (7th Cir. 1990) (finding creator failed to establish existence of contrary agreement), cert. denied, 111 S. Ct. 965 (1991); *May v. Morganelli-Heumann & Assocs.*, 618 F.2d 1363, 1364 (9th Cir. 1980) (reversing summary judgment and remanding to determine whether parties contracted contrary to presumption); *Sargent v. American Greetings Corp.*, 588 F. Supp. 912, 922-24 (N.D. Ohio 1984) (denying motion for summary judgment after finding "questions of material fact ... concerning the parties' intent with respect to the ownership of the copyright"); *Charron v. Meaux*, 60 F.R.D. 619, 625 (S.D.N.Y. 1973) (denying motion for summary judgment after finding questions of fact as to existence of contrary

In those 1909 Act work-made-for-hire cases in which section 26 was stated to create a presumption rather than an absolute rule, there was no uniformity in the types of evidence admissible to prove the existence of a contrary agreement in favor of the employee.[26] In a number of such cases, the courts did not indicate what types of evidence were admissible.[27] A few cases explicitly required an "express contractual provision," apparently conceived of as a writing, in order to prove the existence of an agreement that the employee own the copyright.[28] In a few cases, the courts showed uncertainty as to whether an agreement that the employee own the copyright had to be express or could be implied.[29] In a very few 1909 Act work-made-for-hire cases, all decided after the effective

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agreement).

[26] In commissioned-photograph and commissioned-art-work cases, courts required evidence of an express agreement that the employee own the copyright. *Lumiere v. Robertson-Cole Distrib. Corp.*, 280 F. 550, 552-53 (2d Cir. 1922); *Dielman v. White*, 102 F. 892, 894 (C.C.D. Mass. 1900); *Avedon v. Exstein*, 141 F. Supp. 278, 280 (S.D.N.Y. 1956). The court in *Avedon* agreed with defendant-employer's contention that "evidence of custom and usage cannot be offered to alter a general rule of law and ... there is a general rule of law that a photographer, employed to take a picture for a client, retains no rights in the picture after delivery except such as are expressly reserved." *Avedon*, 141 F. Supp. at 279. "If in the transfer [of the photographs] there was any limitation for the benefit of the [photographer], that limitation ... must have been expressed and clearly imposed." *Id.*

[27] E.g., *National Broadcasting Co. v. Sonneborn*, 630 F. Supp. 524, 524 (D. Conn. 1985) (finding existence of work made for hire and that employer held copyright, ignoring fact that some employees' written contracts granted employer license); *Charron*, 60 F.R.D. at 625 (denying summary judgment in part because written contract appeared to rebut presumption of copyright in employer); *Kinelow Publishing Co. v. Photography in Business, Inc.*, 270 F. Supp. 851, 854-55 (S.D.N.Y. 1967) (finding work made for hire and that employer held copyright).

[28] E.g., *Goldman-Morgen, Inc. v. Dan Brechner & Co.*, 411 F. Supp. 382, 391 (S.D.N.Y. 1976) (finding no express reservation of copyright and stating that employer has copyright in absence of "expressed contractual reservation to the contrary"); *Electronic Publishing Co. v. Zalytron Tube Corp.*, 151 U.S.P.Q. (BNA) 613, 617 (S.D.N.Y. 1966) (stating that independent contractor made no claim of any agreement expressly reserving copyright to it, and that hiring party holds copyright "in the absence of an express contractual reservation of the copyright"); *Boulez v. Commissioner*, 83 T.C. 584, 595-96 (1984) (stating that written contract did not reserve copyright to independent contractor and that "express contractual provisions between the employee and the employer, reserving to the former the copyrightable interest" were required in order to overcome presumption of copyright in employer).

[29] E.g., *Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565, 567-68 (2d Cir. 1966) (requiring "express contractual reservation"; permitting "express or implicit" reservation of copyright); *Sargent*, 588 F. Supp. at 920-22 (requiring "express contractual reservation"; finding extrinsic evidence of parties' intent admissible); *Samet & Wells, Inc. v. Shalom Toy Co.*, 429 F. Supp. 895, 901-02 (requiring "express contractual reservation;" finding extrinsic evidence of parties' intent admissible); *Bertolino v. Italian Line*, 414 F. Supp. 279, 284 (S.D.N.Y. 1976) (finding contrary agreement may be express or implied; requiring "express contractual reservation").

date of the 1976 Act, courts stated that extrinsic evidence, including the conduct and course of performance of the contracting parties and the prevailing custom and usage in the industry, could be used to prove an agreement that an independent contractor would own the copyright.[30]

III. WORKS OF PROFESSORS UNDER 1909 ACT

A professor's scholarly writings, textbooks, computer programs or other copyrightable works could be considered works made for hire under the 1909 Act. Several commentators have so suggested, as has the Seventh Circuit in dicta.[31] Professors generally receive regular salaries pursuant to employment contracts. They write using university-supplied facilities, libraries, research assistants, secretaries, computers and supplies. Publication in the professor's field is usually expected by the university and is therefore a part of the professor's employment responsibilities; the works produced might therefore be found to have been created at the employer's insistence. Although the university neither controls when and where a professor writes nor directly controls style and content, the power to make decisions regarding tenure, dismissal and salary may amount to indirect control over the content of a professor's writings, since the university's evaluation of the writings is an important part of such decisions.[32]

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[30] *Real Estate Data, Inc. v. Sidwell Co.*, 809 F.2d 366, 374-75 (7th Cir. 1987) (remanding for consideration of existence of agreement that independent contractor own copyright by analysis of parties' conduct and course of performance), *aff'd*, 907 F.2d 770 (7th Cir. 1990), *cert. denied*, 111 S. Ct. 965 (1991); *May v. Morganelli-Heumann & Assocs.*, 618 F.2d 1363, 1369 (9th Cir. 1980) (denying summary judgment and remanding for district court to consider evidence including "prevailing custom and usage"). The court in *May* acknowledged that there was little authority for its holding. *May*, 618 F.2d at 1369 n.5. The court relied on *Lin-Brook Builders Hardware v. Gertler*, 352 F.2d 298, 300 (9th Cir. 1965). *May*, 618 F.2d at 1369. The court in *Lin-Brook* stated that an express contractual reservation was required, but admitted a written assignment of the copyright from the independent contractor to the employer as evidence of such a reservation. *Lin-Brook*, 352 F.2d at 300. The court in *May* also relied on *Yardley*, 108 F.2d at 31, in which the court "suggested that extrinsic evidence is permissible to rebut the presumption." *May*, 618 F.2d at 1369. The *May* court concluded: "We think it proper, then, to consider extrinsic evidence to determine whether the parties intended to contract contrary to the presumption of the 'works for hire' doctrine. Such evidence includes prevailing custom and usage." *Id.*

[31] *Hays v. Sony Corp. of Am.*, 847 F.2d 412, 416 (7th Cir. 1988) (dealing with work created by high school teachers, and applying Copyright Act of 1976). "Although college and university teachers do academic writing as a part of their employment responsibilities and use their employer's paper, copier, secretarial staff, and (often) computer facilities in that writing, the universal assumption" until the 1976 Act was that the teacher was entitled to the copyright. Id.; *see also DuBoff, supra* note 1, at 30-32, 34; Patricia A. Hollander, "An Introduction to Legal and Ethical Issues Relating to Computers in Higher Education," 11 *J.C.U.L.* 215, 230 (1984); Simon, *supra* note 1, at 502-05. *But see* Dreyfuss, *supra* note 1, at 597. "Although universities paid faculty salaries, required (and supported) research, exercised some rudiments of control over the sorts of scholarship that counted toward advancement, and made library and other facilities available for scholarly pursuits, these activities did not usually prove that the university was the motivating force behind the work." Dreyfuss, *supra* note 1, at 597.

In spite of the plausibility of finding that the works of professors are works made for hire under the 1909 Act, no court did so find. Two cases, *Williams v. Weisser*[33] and *Sherrill v. Grieves*,[34] considered the work-made-for-hire concept with respect to professors but did not find works made for hire, in large part due to policy and custom.[35] Since neither court found a work made for hire, the question whether there was an agreement that the employee own the copyright was not reached.[36] These two cases comprise the scant case authority prior to the 1976 Act for the existence of an exception from the work-made-for-hire doctrine for professors.[37]

Sherrill applied section 7 of the 1909 Act, which provided that a publication of the United States government, a concept analogous to a work made for hire, was not subject to copyright protection.[38] Sherrill, while employed by the army to teach military map-related skills at a post-graduate school for officers, prepared a book on the same subjects, and permitted the army to print one part of the book in pamphlet form.[39] The Supreme Court of the District of Columbia rejected the infringing defendants' contention that the portion so printed was a publication of the United States government, based in part on the court's conclusion that producing the work did not constitute part of Sherrill's employment duties, and therefore did not meet the definition of a government publication.[40] The court's decision, however, rested also, perhaps primarily, on the absence of judicial precedent holding that a professor's works belong to the university and on the custom of military schools not to claim ownership of instructors' writings.[41] To the extent that the court refused to apply work-made-for-hire principles to the professor's work, relying on the lack of judicial precedent and military school custom, rather than on finding that the definition of a work made for hire was not met, *Sherrill* supports the proposition that a professor's works are excepted from the work-made-for-hire doctrine.

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[32] Cf. *Hays*, 847 F.2d at 416 ("university does not supervise its faculty in the preparation of academic books and articles"). For a more thorough discussion of whether the works of professors fall within the definition of works made for hire, *see* Simon, *supra* note 1, at 502-05.

[33] 78 Cal. Rptr. 542 (Ct. App. 1969).

[34] 57 Wash. L. Rep. 286 (D.C. 1929).

[35] I use the term "concept" advisedly since neither case involved the application of § 26 of the 1909 Act.

[36] *Williams*, 78 Cal. Rptr. at 546; *Sherrill*, 57 Wash. L. Rep. at 290-91.

[37] These two cases were cited by Professor Nimmer to support the proposition that a professor's works are beyond the work-made-for-hire provisions of federal copyright law. 1 Nimmer & Nimmer, *supra* note 19, § 5.03 [B][1][b][i] & n.94; *see also* William H. Carnahan, "Copyright in Our Realm of Learning," 7 *C. Couns.* 421, 436 (1972) ("[T]he right of academicians, whether employed by the Government or a private institution, to copyright and retain a propriatary [sic] interest in their works, including lecture notes and manuscripts, has been well defined by the courts."). But *see Manasa v. University of Miami*, 320 So. 2d 467, 468 (Fla. Dist. Ct. App. 1975) (finding grant proposal written by director of university program was work made for hire, distinguishing Williams), *cert. denied*, 336 So. 2d 602 (Fla. 1976). Case authority for the existence of the exception for professors may have been sparse because universities and professors were convinced of its existence. *Hays v. Sony Corp. of Am.*, 847 F.2d 412, 416 (7th Cir. 1988) (noting that reason for lack of authority was that "virtually no one questioned that the academic author was entitled to copyright"). Another explanation for the paucity of litigation in this area is that universities have not been interested in acquiring the types of copyrightable works produced by professors.

[38] It is an unstated premise of the court's reasoning in *Sherrill* that, in order to qualify as a publication of the United States government within the terms of § 7 of the 1909 Act, a work must

Williams more explicitly excepted the works of professors from the work-made-for-hire doctrine. Williams, a professor of anthropology at the University of California at Los Angeles (UCLA), argued that the common law copyright in his lectures, both the unpublished notes and the oral delivery, had been infringed by Weisser's publication of notes of the professor's lectures taken

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be produced by a government employee in fulfillment of his employment duties. See *Sherrill*, 57 Wash. L. Rep. at 290; see also Copyright Act of 1909, ch. 320, § 7, 35 Stat. 1075, 1077.

The current version of § 7 of the 1909 Act appears in § 105 of the 1976 Act, 17 U.S.C. § 105 (1988). "Copyright protection under this title is not available for any work of the United States Government ...." 17 U.S.C. § 105. The legislative history of § 105 indicated that "[a]lthough the wording of the definition of 'work of the United States Government' differs somewhat from that of the definition of 'work made for hire,' the concepts are intended to be construed in the same way." H.R. Rep. No. 1476, 94th Cong., 2d Sess. 58 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5672. "A 'work of the United States Government' is a work prepared by an officer or employee of the United States Government as part of that person's official duties." 17 U.S.C. § 101 (1988).

[39] *Sherrill*, 57 Wash. L. Rep. at 286, 289-90.

[40] *Id.* at 290.

[41] *Id.* at 290-91. With respect to judicial precedent, the court stated: "The plaintiff at the time was employed to give instruction just as a professor in an institution of learning is employed. The court does not known of any authority holding that such a professor is obliged to reduce his lectures to writing or if he does so that they become the property of the institution employing him." *Id. Sherrill* dealt with a textbook on the subject matter taught by the professor, not with notes for or a transcription of his lectures. *Id.* at 290.

With respect to custom, the court stated: "The fact is that officers do write such books which are copyrighted and used in Government schools with the approval of the military establishment ...." *Id.* But see William S. Rome, "Scholarly Writings in the University Setting: Changes in the Works and on the Books," 35 *Copyright L. Symp.* (ASCAP) 41, 50-51 (1988) (interpreting *Sherrill* as holding that faculty owns works created outside scope of employment).

by Weisser's employee.[42] Weisser argued that the university, rather than Williams, held the copyright to the lectures on the ground that the lectures were works made for hire.[43] The court noted that the university could not control Williams' manner of expressing his ideas,[44] and that Williams had no duty to record notes for his lectures.[45] Although these findings would support a holding that Williams' lectures did not meet the definition of a work made for hire, this was not explicitly held. Instead, the court broadly rejected the application of the work-made-for-hire doctrine to the lectures of professors.[46] The court gave three bases for its decision. First, the court cited the undesirable consequences of finding that universities own the copyright to professors' lectures.[47] Second, the court relied on the precedent of *Sherrill* and other cases dealing with rights to lectures.[48] Third, the court noted the university's lack of interest in holding the copyright to such lectures.[49] The court did not say that professors' works satisfy the definition of works made for hire and that in all instances there are agreements that the professor own the copyright; the court said that, in this context, the work-made-for-hire doctrine should not be applied at all.

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[42] *Williams v. Weisser*, 78 Cal. Rptr. 542, 553-54 (Ct. App. 1969). The plaintiff had alleged infringement of a state common law copyright in his lectures, rather than federal statutory copyright infringement, because under the 1909 Act oral lectures were not protected and unpublished notes were not protected without registration. *See* Copyright Act of 1909, ch. 320, §§ 9, 11, 35 Stat. 1075, 1077-78 (codified by An Act of July 30, 1947, ch. 391, §§ 10, 12, 61 Stat. 652, 656) (copyright obtained by publication with copyright notice or by registration). Prior to the 1976 Act, "common law copyright," i.e., state common law or statutory copyright, protected unfixed and/or unpublished works. 1 Nimmer & Nimmer, *supra* note 19, § 2.02 n.3. *Williams* was decided under common law copyright established by state statute. *See Williams*, 78 Cal. Rptr. 542; 1953 Cal. Stat., ch. 1557, § 2 (current version at Cal. Civ. Code § 980(a)(1) (West 1982 & Supp. 1989)).

[43] *Williams*, 78 Cal. Rptr. at 546.

[44] *Id.*

[45] *Id.* at 549. The court, relying on *Sherrill*, stated that neither *Sherrill* nor *Williams* was under a duty to make notes. *Id.*

[46] *Id.* at 546-47. The court stated:

> The many cases cited by defendant for the general rule [regarding work made for hire] probably reach desirable results that are in accord with common understanding in their respective areas, but a rule of law developed in one context should not be blindly applied in another where it violates the intention of the parties and creates undesirable consequences. University lectures are sui generis. Absent compulsion by statute or precedent, they should not be blindly thrown into the same legal hopper with valve designs ... [and] motion picture background music ....

Id. (citations omitted).

[47] *Id.* at 546. "Indeed the undesirable consequences which would follow from a holding that a university owns the copyright to the lectures of its professors are such as to compel a holding that it does not." *Id.* Professors move from campus to campus developing their ideas as they go; which university would own the lectures? Could a professor be enjoined from using the material at his next post? *See id.*

[48] *See id.* at 547-49. These lecture cases dealt with the question whether there was any legal theory under which a lecturer could prevent the audience from publishing his lectures, and whether

Relying on the foregoing two cases, commentators asserted that prior to the adoption of the 1976 Act the work-made-for-hire provision of federal copyright law did not apply to the works of professors.[50]

IV. IMPACT OF ADOPTION OF 1976 ACT

The Copyright Act of 1976,[51] a general revision of federal copyright law, treats work made for hire in two sections, a definition of work made for hire in section 101,[52] and section 201(b),[53] which is analogous to section 26 of the 1909 Act. Contrary to a commonly held belief,[54] the language of the work-made-for-hire provisions of the 1976 Act does not preclude the continued existence of an

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lecturing was a divesting publication. *Id.* In *Abernethy v. Hutchinson*, 47 Eng. Rep. 1313 (Ch. 1825), the court held that a lecturer has a property right in his lectures. The court in *Abernethy* also stated that there was no evidence that the lecturing surgeon did not have the right to publish his lectures in spite of the "peculiar situation which he filled in the hospital." 47 Eng. Rep. at 1318; *see also Caird v. Sime*, 12 App. Cas. 326, 360 (H.L. 1887) (holding that lecturing is not divesting publication); *Nicols v. Pitman*, 26 Ch. D. 374, 381 (1884) (finding implied contract that audience will not publish lecture). With the exception of the ambiguous sentence in *Abernethy* concerning the surgeon's "peculiar situation" quoted above, these lecture cases had only peripheral relevance to the work-made-for-hire doctrine. This relevance is that the defendants did not raise the issue by arguing that the institutions employing the lecturers owned the copyright.

[49] *Williams*, 78 Cal. Rptr. at 545 n.5. The court noted that UCLA made no claim to Williams' lectures and had filed an amicus curiae brief in his favor. *Id.* The court stated that no reason had been suggested why a university would want to own a professor's lectures. *Id.* at 546.

[50] For a discussion of the views of selected commentators, *see supra* note 37.

[51] 17 U.S.C. §§ 101-914 (1988).

[52] *Id.* § 101.

[53] *Id.* § 201(b).

[54] *See* Dreyfuss, *supra* note 1, at 598-99 ("[s]cholars have indeed concluded that the 1976 Act abolishes the teacher exception to the work for hire doctrine"); DuBoff, *supra* note 1, at 25, 33; Simon, *supra* note 1, at 507; *see also Hays v. Sony Corp. of Am.*, 847 F.2d 412, 416 (7th Cir. 1988) ("[I]t is widely believed that the 1976 Act abolished the teacher exception."); *Weinstein v. University of Illinois*, 811 F.2d 1091, 1094 (7th Cir. 1987) (1976 Act "is general enough to make every academic article a 'work made for hire' and therefore vest exclusive control in universities rather than scholars").

exception for professors. The 1976 Act incorporates a definition of an employee's work made for hire which codifies language developed in cases decided under the 1909 Act: "a work prepared by an employee within the scope of his or her employment."[55] The legislative history of the work-made-for-hire provisions of the 1976 Act shows continuity with the prior law by stating that "section 201(b) of the bill adopts one of the basic principles of the present law: that in the case of works made for hire the employer is considered the author of the work...."[56] The legislative history makes no mention of the exception for professors. In determining whether the producer of a work was an employee within the meaning of the work-made-for-hire definition in the 1976 Act, the Supreme Court has used the same sort of agency law factors that had been used by many courts under the 1909

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[55] *See* 17 U.S.C. § 101. For a discussion of work prepared within the scope or course of employment, *see supra* note 17 and accompanying text. The Register of Copyright had rejected a suggestion to use this more specific language in lieu of the term work made for hire in the new statute and suggested instead that it be adopted as a definition of work made for hire. House Comm. on the Judiciary, 87th Cong., 1st Sess., "Report of the Register of Copyright son the General Revision of U.S. Copyright Law" 87 (Comm. Print 1961).

The 1976 Act did change the definition of works made for hire produced by an independent contractor. *See* 17 U.S.C. § 101. Prior to the 1976 Act, courts found works made for hire based simply on the fact that the works were commissioned. For a further discussion of commissioned works, *see supra* note 18 and accompanying text. The 1976 Act defines a work made for hire as either:

> (1) a work prepared by an employee within the scope of his or her employment; or
> (2) a work specially ordered or commissioned [which falls within one of nine enumerated categories of works] if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

Id. § 101. The 1976 Act is more protective of independent contractors than was the 1909 Act, as the latter act was applied; under the 1976 Act, a commissioned work by an independent contractor can be a work made for hire only if it meets the requirements of § 101(2). *See Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 737-38 (1989). Professors may well produce works within the categories enumerated in § 101(2), such as translations, supplementary works, instructional texts and contributions to a collective work. However, a professor's work would be a commissioned work only where he had been specifically hired to produce a work aside from his regular employment duties. Thus, the protection given by the 1976 Act to independent contractors is of limited importance in determining the rights of professors to their works under the act.

[56] H.R. Rep. No. 1476, 94th Cong., 2d Sess. 121 (1976), reprinted in1976 U.S.C.C.A.N. 5659, 5736-37; S. Rep. No. 473, 94th Cong., 1st Sess. 104 (1976). The reports stated that Congress rejected a suggestion for a major change in the nature of an employer's rights to works produced by its employees. It had been proposed that the employer receive only a right to the works analogous to the "shop right" doctrine of patent law. H.R. Rep. No. 1746, *supra*, at 121, reprinted in 1976 U.S.C.C.A.N. at 5736-37; S. Rep. No. 473, *supra*, at 104-05. The Conference Report did not mention the work-made-for-hire provisions. H.R. Rep. No. 1733, 94th Cong., 2d Sess. 69 (1976), reprinted in 1976 U.S.C.C.A.N. 5810.

Act.[57] Thus, with respect to employees, the definition of a work made for hire was not changed by the 1976 Act. There is nothing in the 1976 Act or its legislative history to suggest that the common law exception for professors from the common law definition of work made for hire was eradicated by the act.

The 1976 Act, however, did clarify and limit the types of evidence admissible, after a work made for hire has been found, to prove an agreement that the employee owns the copyright. Section 201(b) provides: "In the case of a work made for hire, the employer ... is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright."[58] The question of what types of evidence can prove an agreement that the employee own the copyright only comes into play if a work made for hire has been found. Therefore, the precedential value of *Sherrill*[59] and *Williams*[60] was not modified by this revision. In neither case did the court get past the initial determination whether there was a work made for hire; both courts refused to find a professor's work made for hire.[61] A common law exception to the definition of work made for hire is undisturbed by section 201(b).

The extent to which the requirement of a written instrument in section 201(b) of the 1976 Act constitutes a major change from section 26 of the 1909 Act may be exaggerated. Under section 26 courts often did not clarify what types of evidence of an agreement were admissible, there was no uniformity among the courts that did address this issue, and there were few reported cases in which a creator successfully defended a claim to a copyright on the basis of such an agreement, either express or implied.[62] A few courts, applying section 26, required an "express contractual provision," thus apparently requiring a writing.[63]

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[57] *Community for Creative Non-Violence*, 490 U.S. at 740. For a further discussion of the agency law factors in cases decided under the 1909 Act, *see supra* note 18 and accompanying text. Factors employed by the Court which had been used in the 1909 Act work-made-for-hire cases were: the right of the purported employer to control the manner of performance, use of the purported employer's tools and materials, work performed in the purported employer's place of business, purported employer's control of work hours, and method of payment. *Community for Creative Non-Violence*, 490 U.S. at 740-41. The Court in *Community for Creative Non-Violence* understandably did not stress the 1976 Act's continuity with the 1909 Act's definition of work made for hire in the case of agency law employees since the Court was focusing on the new § 101 definition's change of prior law with respect to independent contractors. *See id.* The Court overruled a line of cases which held that the work of an independent contractor was work made for hire under § 101(1) of the 1976 Act if the hiring party had the right to control the final product or had exercised control over the creation of the work. *Id.* at 742.

Lower courts have found that, with respect to employees, the definition of work made for hire remains unchanged by the 1976 Act. *See, e.g., Mister B Textiles, Inc. v. Woodcrest Fabrics, Inc.*, 523 F. Supp. 21, 25 (S.D.N.Y. 1981) (stating that "[t]he work for hire doctrine survives intact with respect to employer and employees").

[58] 17 U.S.C. § 201(b) (1988).

[59] For a discussion of *Sherrill*, *see supra* notes 34 & 38-41 and accompanying text.

[60] For a discussion of *Williams*, *see supra* notes 33 & 42-49 and accompanying text.

[61] For a further discussion of the holdings in *Sherrill* and *Williams*, *see supra* notes 33-50 and accompanying text.

It should be noted that under neither the 1909 Act nor the 1976 Act can an agreement between employer and employee determine whether a work is a work made for hire within the terms of the statute.[64] An agreement to assign his copyright is enforceable against an employee, but the rights of an employer who holds a copyright as assignee differ from those of an employer who is a section 201(b) author of a work made for hire.[65]

Two influential articles published in 1983 and 1985 concluded that the 1976 Act abolished the exception for professors from the work-made-for-hire doctrine.[66] The arguments proposed by these commentators to support this proposition were: 1) the 1976 Act's purported strengthening of the presumption that employers own the copyright of the works of their employees;[67] 2) the preemption of common law copyright by section 301;[68] and 3) the rejection by the 1976 Act of evidence of custom.[69] These arguments are logically flawed and therefore fail to support the conclusion drawn from them.

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[62] For a further discussion of what evidence was admissible under the 1909 Act, *see supra* notes 26-30 and accompanying text.

[63] For a further discussion of courts requiring an "express contractual provision" under the 1909 Act, *see supra* note 28 and accompanying text.

[64] 1 Nimmer & Nimmer, *supra* note 19, § 5.03[B][1][b][ii], [D]. Under the 1976 Act, an agreement that an employee's work is made for hire will not convert a work which does not fall within the definition of work made for hire into a work made for hire. *Id.* Similarly, if a work is a work made for hire, the parties' agreement that the work not be work made for hire does not change the status of the work. *Id.*; *see also* Reichman, *supra* note 1, at 675 n.186. The employer and employee could, of course, structure their relationship so that the employee's work would fall within the definition of work made for hire.

[65] 1 Nimmer & Nimmer, *supra* note 19, § 5.03[B][1][b][i]. Under the 1976 Act, the author of any work other than a work made for hire can terminate a transfer of copyright executed on or after January 1, 1978, during the five years following the expiration of a period of 35 years after the execution of the transfer, with the result that all rights transferred revert to the author. 17 U.S.C. § 203 (1988); see also id. § 304(c) (similar provision for termination of transfers of renewal copyrights made before January 1, 1978). Thus, if an employer holds the copyright as assignee, the employee author can terminate the grant. If the employer holds the copyright as author of a work made for hire, the employee cannot affect the employer's copyright. If an agreement could determine whether a work is a work made for hire within the terms of the statute, assignees could avoid the termination of transfer provision of § 203. 3 Nimmer & Nimmer, *supra* note 19, § 11.02[A][2].

The person entitled to the renewal in a work which was in its first copyright term on January 1, 1978 varies according to whether the work is a work made for hire. If it is a work made for hire, the proprietor may renew; otherwise, the author may renew. 17 U.S.C. § 304(a).

The term of copyright in works created after January 1, 1978 differs depending on whether the work is a work made for hire. *Id.* § 302(a), (c).

[66] DuBoff, *supra* note 1, at 24-25; Simon, *supra* note 1, at 507. The United States Court of Appeals for the Seventh Circuit and commentators have cited these two articles for the proposition that the

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1976 Act abolished the professors' exception or for the proposition that it is commonly believed that the act abolished the exception. *See Hays v. Sony Corp. of Am.*, 847 F.2d 412, 416-17 (7th Cir. 1988) (citing Simon article for proposition that "it is widely believed that the 1976 Act abolished the teacher exception"); *Weinstein v. University of Illinois*, 811 F.2d 1091, 1094 (7th Cir. 1987) (citing DuBoff article for proposition that § 201(b) of 1976 Act "is general enough to make every academic article a 'work for hire'"); *see also* Dreyfuss, *supra* note 1 at 598-99 ("Scholars have indeed concluded that the 1976 Act abolishes the teacher exception ...."); Rome, *supra* note 41, at 53-54 ("If *Williams* was ever authority for excluding scholarly writing from the work for hire rule, this conclusion is no longer viable."). Professor Dreyfuss cites these articles with the proviso: "I summarize commentators' findings regarding the operation of the work for hire doctrine, conclusions that I accept for argument's sake but do not personally endorse." Dreyfuss, *supra* note 1, at 593.

[67] Simon, *supra* note 1, at 486. The purported strengthening of the presumption is argued to flow from the § 201(b) requirement of a writing in order for an employee to own the copyright in a work made for hire. *Id.* Professor Simon notes that the typical faculty employment agreement is comprised of many implicit agreements and understandings that do not satisfy § 201(b). *Id.* Professor Simon's argument, however, ignores the fact that § 201(b) only applies if a work made for hire has been found.

[68] *Id.* at 486, 507. Section 301(a) of the 1976 Act partially preempts common law copyright. 17 U.S.C. § 301(a) (1988). Professor Simon argues that, since *Williams* was decided under common law copyright, the case is no longer valid precedent. Simon, *supra* note 1, at 507.

[69] DuBoff, *supra* note 1, at 33. Professor DuBoff's argument appears to be that since the 1976 Act no longer permits evidence of custom to prove the existence of an agreement giving the employee ownership of the copyright, evidence of custom is no longer admissible to prove that a work is not a work made for hire. *Id.*

It has been suggested that the gist of the articles by Professors Simon and DuBoff is that the 1976 Act discourages courts from deciding whether a work is a work made for hire by considering the presence of certain facts and circumstances in the employment relationship and in the creation of the work. Dreyfuss, *supra* note 1, at 598-99. For a further discussion of these facts and circumstances, *see supra* note 18 and accompanying text. This was not the thrust of the Simon and DuBoff articles. Furthermore, it does not appear to be an accurate assessment of the impact of the 1976 Act. *See* Dreyfuss, *supra* note 1, at 599 n.37; *see also Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 740-41 (1988) (courts should use principles of agency law to determine whether there is work made for hire). Professor Reichman cited the Simon and DuBoff articles for the proposition that some commentators believe that the 1976 Act abolished the professors' exception, but Professor Reichman did not address the changes between the 1976 Act and prior law which have been said to bring about this result. *See* Reichman, *supra* note 1, at 673-74.

The "strengthening of the presumption" argument posits that the writing requirement of section 201(b) of the 1976 Act strengthens the presumption that the employer owns the copyright in a work made for hire.[70] The only way to rebut the presumption is by a written agreement that the employee own the copyright.[71] However, the fact that the presumption, once established, may now be more difficult to rebut does not make it any easier to establish the presumption.

Section 301 provides that all rights equivalent to those granted by the Copyright Act in works fixed in tangible form are governed exclusively by that act.[72] This section partially preempts common law copyright, that is, state copyright, which prior to the 1976 Act had protected unfixed works and unpublished works.[73] The argument based on section 301 is that the 1976 Act abolished the professors' exception because, since Williams was decided under common law copyright, section 301 "washes away the Williams rule."[74] This does not appear to be the case. First, *Sherrill*, which offers some support for the proposition that there is an exception for professors from the work-made-for-hire doctrine, was decided under section 7 of the 1909 Act.[75] Judicial glosses on sections of the 1909 Act reenacted in the 1976 Act survived adoption of the 1976 Act unless precluded by that act.[76] Thus, to the extent that *Sherrill* supported the existence of a professors' exception from the work-made-for-hire provision of the 1909 Act, *Sherrill* now supports the existence of an exception to the

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[70] Simon, *supra* note 1, at 486, 501, 505-06.

[71] Note that the presumption is established by finding that a work is a work made for hire.

[72] 17 U.S.C. § 301(a) (1988). "A work is 'fixed' in a tangible medium of expression when its embodiment in a copy ... is sufficiently permanent or stable to permit it to be ... reproduced, or otherwise communicated for a period of more than transitory duration." *Id.* § 101.

[73] 1 Nimmer & Nimmer, *supra* note 19, § 2.02. Common law copyright was either state common law copyright or state statutory copyright. *Id.*

[74] Simon, *supra* note 1, at 507. Simon states that "*Williams* is no longer precedent for exempting scholarly writings from the 1976 Act's works-for-hire provisions." *Id.*

[75] For a further discussion of the *Sherill* decision, *see supra* notes 38-41 and accompanying text.

[76] *Stewart v. Abend*, 110 S. Ct. 1750, 1758 (1990) ("[W]e must look to the language of and case law interpreting § 24 [of the 1909 Act in order to interpret § 304 of the 1976 Act which reenacts § 24]."); *see also* 3 Nimmer & Nimmer, *supra* note 19, § 10.03[A] ("It may be assumed that other judicial glosses upon the 1909 Act writing requirement will also be carried over to the current Act.").

Professor DuBoff appears to argue that the *Sherrill* and *Williams* exception for professors was a "common law doctrine" and therefore was preempted by § 301. DuBoff, *supra* note 1, at 33 n.107. The exception for professors was a judicial interpretation of or gloss on the terms "work made for hire" and "publication of the United States Government." The 1976 Act did not preempt all judicial interpretation of or glosses on the 1909 Act. *See, e.g.*, *id.* at 26-32 (citing judicial interpretations of or glosses on the term work made for hire in cases decided under the 1909 Act in order to interpret "work made for hire," "employee" and "scope of employment" under the 1976 Act).

1976 Act. Second, section 301 expressly does not preempt state protection of unfixed works.[77] Since *Williams* dealt with both the professor's written notes and the oral expression of his lectures, the *Williams* decision could be made today under common law copyright with respect to the latter.[78] Finally, even to the extent that *Williams* dealt with a written work, which state law could no longer protect, this fact does not undercut the court's reasoning concerning the work-made-for-hire doctrine as applied to professors.

The argument that the 1976 Act's rejection of evidence of custom abolished the professors' exception appears to be as follows: 1) custom was admissible under the 1909 Act; 2) Williams used custom to determine whether a work is a work made for hire; and 3) under the 1976 Act, only a written agreement can "alter the work-for-hire rules set forth in section 201."[79] In reality, however, very few cases under the 1909 Act admitted evidence of custom in order to prove the existence of an agreement that the employee own the copyright.[80] More significantly, the existence of such an agreement is relevant only after a work made for hire has been found.[81] The court in *Williams* relied on custom, policy and the lack of judicial precedent holding that the work-made-for-hire doctrine applies to professors, to hold that the work-made-for-hire doctrine should not be applied to professors at all.[82] If no work made for hire is found, section 201 does not apply. Therefore, if courts rely on the precedent of *Sherrill* and *Williams*, which the 1976 Act does not prevent them from doing, the writing requirement of section 201 of the 1976 Act will not affect the ability of a professor to claim copyright in his works.[83]

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[77] 17 U.S.C. § 301(b)(1) (1988); 1 Nimmer & Nimmer, *supra* note 19, § 2.02. "[S]ection 301(b) explicitly preserves common law copyright protection for one important class of works: works that have not been 'fixed in any tangible medium of expression.'" H.R. Rep. No. 1476, 94th Cong., 2d Sess. 131 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5747. "Unfixed" works, for example, are "extemporaneous speech, 'original works of authorship' communicated through conversations or live broadcasts ...." *Id.*

[78] *See Williams v. Weisser*, 78 Cal. Rptr. 542, 543 (Ct. App. 1969). Admittedly, the court appears to have viewed the written notes as more important than the oral expression. *Id.* Professor Simon recognized this fact but discounted the applicability of *Williams* as authority for cases dealing with any professorial works other than oral lectures. Simon, *supra* note 1, at 507. Prior to the 1976 Act, *Williams*, although involving only lectures, was considered authority for the proposition that all copyrightable works by professors were exempt. 1 Nimmer & Nimmer, *supra* note 19, § 5.03[B][1][b][i]; Carnahan, *supra* note 37, at 436. *Williams* is not distinguishable from cases concerning other types of works since the court's decision did not rest on characteristics unique to lectures.

[79] DuBoff, *supra* note 1, at 33-34.

[80] For a further discussion of the admission of extrinsic evidence under the 1909 Act, *see supra* notes 26-30 and accompanying text.

[81] For a further discussion of the creation of the presumption of copyright ownership in the employer, *see supra* notes 19-21 and accompanying text.

[82] For a further discussion of the *Williams* holding, *see supra* notes 42-49 and accompanying text.

Commentators and the Seventh Circuit have cited these two articles for the proposition that the 1976 Act abolished the professors' exception from the work-made-for-hire doctrine.[84] Although the Seventh Circuit does not approve of the consequences of abolishing the professors' exception, the court appears to have accepted the commentators' arguments leading to this conclusion.[85] In the Seventh Circuit's 1987 decision in *Weinstein v. University of Illinois*,[86] the court indicated in dictum that it believed the 1976 Act had abolished the professors' exception,[87] but did not make clear whether it found the work in question, a professor's scholarly article, to be a work made for hire.[88] The court also failed to clarify the relationship between the work-made-for-hire provisions of the 1976 Act and the university copyright policy incorporated in the professor's contract.[89] In a 1988 decision, *Hays v. Sony Corporation of America*,[90] the Seventh Circuit accepted in dictum the commentators' arguments that the 1976 Act had abolished the professors' exception. The court stated: "To a literalist of statutory interpretation, the conclusion that the Act abolished the exception may seem inescapable."[91] The court's brief summary of the argument fails to come to grips with the salient points of the commentators' argument that the 1976 Act had this effect, but rather assumes the point to be proven, that the exception no longer exists.[92] Searching for a "possible textual handle" with which to save the exception, the court suggested an implausible construction of section 201(b).[93] Swayed by both the desirability of maintaining a professors' exception and the absence of

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[83] For a further discussion of the writing requirement of § 201, *see supra* notes 58-63 and accompanying text.

[84] *Hays v. Sony Corp. of Am.*, 847 F.2d 412, 416 (7th Cir. 1988) ("[I]t is widely believed that the 1976 Act abolished the teacher exception." (citing Simon, *supra* note 1, at 502-09)); *Weinstein v. University of Illinois*, 811 F.2d 1091, 1094 (7th Cir. 1987) ("[The 1976 Act] is general enough to make every academic article a 'work for hire' and therefore vest exclusive control in universities rather than scholars." (citing DuBoff, *supra* note 1, at 24-26)); Dreyfuss, *supra* note 1, at 593, 598-99 (citing Simon and DuBoff for proposition that scholars have concluded that 1976 Act abolished professors' exception, which conclusion author accepts for argument's sake but does not endorse).

[85] *Hays*, 847 F.2d at 416-17; *Weinstein*, 811 F.2d at 1094. The Seventh Circuit noted the "havoc that such a conclusion would wreak" on the long settled traditions of universities and colleges. *Hays*, 847 F.2d at 416.

[86] 811 F.2d 1091 (7th Cir. 1987). A professor of pharmacy administration at the University of Illinois at Chicago, who co-authored an article concerning a clinical clerkship funded by the university, sued his co-authors, the university and others for, inter alia, violation of the due process clause by revising the article and listing his name last. *Id.* at 1092-93.

[87] *Id.* at 1094. The court argued that "[t]he statute [§ 201(b) of the 1976 Act] is general enough to make every academic article a 'work for hire' and therefore vest exclusive control in universities rather than scholars." *Id.* (citing DuBoff, *supra* note 1, at 24-26). The statement of one commentator that "*Weinstein* sub silentio rejected the notion of a 'teacher exception'" is too strong. Russell VerSteeg, "Copyright and the Educational Process: The Right of Teacher Inception," 75 *Iowa L. Rev.* 381, 402 (1990). The court's statement citing DuBoff merely indicated that it believed the exception had been abolished by the 1976 Act.

[88] *Weinstein*, 811 F.2d at 1093-94. The court did not apply the definition of a work made for hire to the article. *Id.*

[89] *Id.* Under § 201(b), if the article was a work made for hire, a written agreement would be necessary in order for Weinstein to own the copyright. 17 U.S.C. § 201(b) (1988). Weinstein's

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annual written contract, which expressly incorporated the university copyright policy, would qualify as such an agreement. *See Weinstein v. University of Illinois*, 628 F. Supp. 862, 863 (N.D. Ill. 1986), *aff'd*, 811 F.2d 1091 (7th Cir. 1987). However, the Seventh Circuit's decision did not clarify whether this was the court's line of reasoning. If the article was not a work made for hire, the policy (as a term of Weinstein's contract) could operate as an assignment or a promise to assign the copyright to the university. For a further discussion of the effect of the incorporation of a university copyright policy in an employment contract, *see infra* notes 105-16 and accompanying text.

The Seventh Circuit in *Weinstein* argued that the university copyright policy allocated the copyright in the article to the professor rather than to the university. *Weinstein*, 811 F.2d at 1094-95. The court concluded that even if the professor owned the copyright, he was not deprived of this property since his co-authors, as joint authors, were entitled to revise and publish the article. *Id.* at 1095.

[90] 847 F.2d 412 (7th Cir. 1988). Two of the three judges who decided *Hays* -- Judges Posner and Easterbrook -- had decided *Weinstein*. *Hays* was an appeal of Rule 11 sanctions against an attorney representing high school teachers who claimed copyright infringement with respect to a computer manual they had prepared for their students. *Id.* at 413. The court found that even if the exception from the work-made-for-hire doctrine did not exist, there would still have been a reasonable basis for the teachers' claim since it was unclear whether the manual would fall within the definition of a work made for hire. *Id.* at 417.

[91] *Id.* at 416 (citing Dreyfuss, *supra* note 1, at 598-600; Simon, *supra* note 1, at 502-09).

[92] *Id.* at 416. The court explained that "[t]he argument would be that academic writing, being within the scope of academic employment, is work made for hire, per se; so, in the absence of an express written and signed waiver of the academic employer's rights, the copyright in such writing must belong to the employer." *Id.* Academic work was just as much within the scope of employment under the 1909 Act, and courts refused to apply the doctrine at all. For a further discussion of the treatment of professors' works under the 1909 Act, *see supra* notes 31-50 and accompanying text. For the arguments made by commentators that the 1976 Act abolished the exception, *see supra* notes 66- 83 and accompanying text.

[93] *Hays*, 847 F.2d at 417. The court suggested that § 201(b) "appear[s] to require not only that the work be a work for hire but that it have been prepared for the employer-which the [teachers'] manual may or may not have been." *Id.* Section 201(b) provides:

> In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties

any indication that Congress intended to abolish the exception, the *Hays* court stated that, if forced to decide whether the 1976 Act had abolished the exception, it might decide that the exception had survived.[94] However, the court expressly did not decide the issue.

Based on the foregoing analysis, the 1976 Act did not disturb the professors' exception from the work-made-for-hire doctrine; to the extent that such an exception ever existed, it continues to exist. However, the developing interest of universities in faculty copyrights, expressed in the adoption of university copyright policies,[95] may have an impact on faculty ownership of copyrights in several ways.[96] Most importantly, copyright policies may vary copyright ownership as a matter of contract between the professor and the university.

V. EFFECT OF UNIVERSITY COPYRIGHT POLICIES

Initial ownership of the copyright in a professor's work is determined by the provisions of the Copyright Act, rather than by the terms of any contract, including an employment contract.[97] If

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> have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.

17 U.S.C. § 201(b) (1988). Work which qualifies as a work made for hire under either of the definitions in § 101, whether a commissioned work or "a work prepared by an employee within the scope of his or her employment," will always have been prepared "for" someone. *See id.* § 101. Further, the phrase "for whom the work was prepared" in § 201(b) modifies "other person," not "employer." *See id.* § 201(b). The phrase "other person for whom the work was prepared" is a periphrasis for "commissioning party"; such a term is necessary since the term "employer" is not appropriate to all work-made-for- hire situations. Compare the bifurcated definition of work made for hire in § 101. *See id.* § 101.

[94] *Hays*, 847 F.2d at 416-17. Professor Reichman has predicted that the courts will preserve the academic's ownership of copyrights. Reichman, *supra* note 1, at 675 n.187 (citing *Hays*, 847 F.2d 412; *Weinstein v. University of Illinois*, 811 F.2d 1091 (7th Cir. 1987)). Professor Reichman stated: "The courts will probably ... preserve the academic's ownership of his or her general literary and artistic output, even though the current provisions on works for hire give rise to diverse and conflicting interpretations." *Id.*

[95] For a discussion of the adoption of university copyright policies, *see infra* notes 120-23 and accompanying text.

[96] University acquisition of faculty copyrights could persuade courts that the exception for professors from work made for hire is no longer in keeping with university custom.

[97] *See* 17 U.S.C. § 201(a), (b). "Copyright in a work protected under this title vests initially in the author or authors of the work." *Id.* § 201(a). "In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and ... owns all of the rights comprised in the copyright." *Id.* § 201(b). *See* Reichman, *supra* note 1, at 675 n.186.

the professor's work is not a work made for hire, the copyright vests in the professor as author, and can be transferred only by a writing complying with section 204(a).[98] Section 204(a) requires for all transfers other than those by operation of law "an instrument of conveyance, or a note or memorandum of the transfer" in writing and signed by the transferor.[99] Written university copyright policies in which universities claim copyright ownership of certain faculty works may qualify as instruments of conveyance.[100] It appears that the fact that a professor's future works are not in existence at the time that the professor signs his contract is not an impediment to the interpretation

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The 1909 Act and common law copyright governed initial vesting of copyright in works created prior to January 1, 1978. *See generally* 1 Nimmer & Nimmer, *supra* note 19, § 5.01[B].

The statement in the text is not intended to deny that an employment contract could, by the way in which it structures the employment relationship, contribute to the conclusion that a work is or is not a work made for hire under the act.

[98] *See* 17 U.S.C. § 201(a) ("[c]opyright ... vests initially in the author"). A "transfer of copyright ownership" is an assignment, exclusive license or any other conveyance other than a nonexclusive license. *Id.* § 101. Section 204(a) states the circumstances under which "a transfer of copyright ownership" is valid. *See id.* § 204(a).

Section 204(a) governs the validity of transfers made on or after January 1, 1978.Id. Transfers of statutory copyright made prior to January 1, 1978 were governed by § 28 of the 1909 Act, which required "an instrument in writing signed by the proprietor of the copyright." Copyright Act of 1909, ch. 320, § 42, 35 Stat. 1075, 1084 (codified by An Act of July 30, 1947, ch. 391, § 28, 61 Stat. 652, 660).

The work-made-for-hire provisions of the Copyright Act do not limit which works can be transferred by a writing complying with § 204(a). 17 U.S.C. § 204(a). Contra Reichman, *supra* note 1, at 679.

[99] 17 U.S.C. § 204(a). The term "note or memorandum of the transfer" appears to include a writing memorializing a prior oral transfer. *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27, 36 (2d Cir. 1982); *Dan-Dee Imports, Inc. v. Well-Made Toy Mfg. Corp.*, 524 F. Supp. 615, 618 (E.D.N.Y. 1981).

[100] Current university copyright policies claiming copyright ownership of certain faculty works employ language such as the following. "[T]he University shall be deemed to own all rights, title and interest in materials ...." *University of Virginia, Financial and Administrative Policies Manual* 15.5.1.2 (1989) (Copyright Policy, approved by Visitors, May 29, 1986). "The University will claim Copyright ownership in those cases where ...." *University of New Mexico, Intellectual Property Policy* 6 (approved by Regents, Mar. 13, 1989). "University faculty ... retain all rights in copyrightable materials they create, except when ...." *University of Washington*, 4 *Handbook* 49 (1984) (Copyright Policy, dated Mar. 1969; revised Oct. 3, 1977 and Sept. 26, 1983).

If the professor's work is not a work made for hire, and the copyright policy provides that the work belongs to the professor, the policy would not vary the result produced by the Copyright Act.

of these policies as instruments of transfer.[101] The copyright policies may also be treated as agreements by professors to transfer copyrights at a future date, which agreements must be in writing under section 204(a).[102] Alternatively, if the professor's work is a work made for hire, the university owns the copyright under section 201(b) "unless the parties have expressly agreed otherwise in a written instrument signed by them."[103] Written university copyright policies which state that the copyright in certain faculty works shall belong to the professor-creator may qualify as such express written agreements.[104]

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[101] *See Rosette v. Rainbo Record Mfg. Corp.*, 354 F. Supp. 1183, 1193-94 (S.D.N.Y. 1973) (decided under 1909 Act, transferee effectively assigned statutory copyright in 1951 prior to assignment to itself in 1955), aff'd, 546 F.2d 461 (2d Cir. 1976); 3 Nimmer & Nimmer, *supra* note 19, § 10.03[A] (though work not in existence at time of transfer, transfer effective to give equitable title in work upon its creation). Cases decided under the 1909 Act in which the transferor granted in writing the copyright in works not yet in existence, and the transferee thereafter obtained statutory copyright by publication or registration, are not persuasive authority for the statement in the text since it appears that the common law copyright in unpublished works could be transferred without a writing. *See, e.g., Fantasy, Inc. v. Fogerty*, 664 F. Supp. 1345, 1347, 1349 (N.D. Cal. 1987); *see also* 3 Nimmer & Nimmer, *supra* note 19, § 10.03[B][2], at 10-38 n.28 (although no cases expressly so hold, it appears assignment of common law copyright was not within Statute of Frauds).

[102] *Mellencamp v. Riva Music, Ltd.*, 698 F. Supp. 1154, 1162 (S.D.N.Y. 1988) (stating that contract to transfer copyright cannot be enforced without a writing); *Library Publications, Inc. v. Medical Economics Co.*, 548 F. Supp. 1231, 1232-34 (E.D. Pa. 1982) (finding oral agreement to give plaintiff right to distribute work unenforceable because "[s]ection 204(a) of the Act requires such agreements to be in writing"), *aff'd*, 714 F.2d 123 (3d Cir. 1983). Some courts may not draw a clear distinction between a transfer of copyright and an agreement to transfer copyright. *See, e.g., Library Publications*, 548 F. Supp. at 1231-34.

[103] *See* 17 U.S.C. § 201(b) (1988). By the terms of § 201(b), if a work is a work made for hire, an agreement by the parties cannot change the employer's status as author. Further, an agreement by the parties cannot change the status of the work as a work made for hire. For a further discussion of the impact of an agreement on the status of a work, *see supra* notes 64-65 and accompanying text.

[104] Contra Dreyfuss, *supra* note 1, at 600. Professor Dreyfuss states that "while many faculty handbooks announce policies favoring faculty retention of copyright, handbooks are unlikely to be considered signed writings within the meaning of the Act [i.e., within the meaning of § 201(b)]." *Id.* (without citation or explanation). Although *Weinstein* did not clarify the court's line of reasoning, the Seventh Circuit's analysis may have been that the article at issue was a work made for hire, but that the university's copyright policy satisfied the requirement of a written instrument in § 201(b). For a further discussion of the *Weinstein* decision and the requirement of a writing under § 201(b), *see supra* notes 86-89 and accompanying text.

Current university copyright policies which provide that the copyright in certain faculty works shall be owned by the faculty use language such as the following. "Inventors/Authors will own inventions/materials which are ...." *Massachusetts Institute of Technology, Guide to the Ownership, Distribution and Commercial Development of M.I.T. Technology* 3 (Patent and Copyright Policy Statement, dated May 24, 1989). "Except for writings that ... all rights to

However, the written university copyright policy is generally not included verbatim in a writing signed by the professor and by a representative of the university.[105] The question, then, is whether a written university copyright policy, which may or may not be expressly incorporated by reference into a writing signed by the professor and the university, satisfies the section 204(a) requirement of a writing signed by the professor, or the section 201(b) requirement of a writing signed by the professor and the university.

If the copyright policy is expressly incorporated by reference into a written employment contract signed by the professor and the university, the policy appears to satisfy both the section 204(a) and the section 201(b) writing requirements. The Seventh Circuit indicated in *Weinstein v. University of Illinois*[106] that the written university copyright policy, which was expressly incorporated into the professor's written contract,[107] was effective to vary copyright ownership.[108] In the context of other university policies, such as tenure, retirement, and dismissal policies, courts have found the policies, where expressly incorporated by reference into a written employment contract, binding on both faculty and universities.[109] Such cases are, however, less persuasive in the context of copyright

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copyrightable material shall be reserved by the author ...." *Vanderbilt University Faculty Manual* 60 (1989-90) (Copyrights, no date). "Except ..., textbooks and other products of teaching, research, scholarship, and artistic endeavors belong to the faculty or staff member ...." *University of Iowa, University Operations Manual* 30.16 (Policy on Intellectual Property, approved by Regents, Mar. 1983).

[105] *See generally* Beverly T. Watkins, "Even Seemingly Innocuous Faculty Manuals Are Frequently Ruled to Be Legally Binding," *Chron. Higher Educ.*, Oct. 2, 1985, at 27-28 ("faculty manual has been adopted in higher education as 'a substitute for an employee contract'").

[106] 811 F.2d 1091 (7th Cir. 1987).

[107] *Id.* at 1094; *Weinstein v. University of Illinois*, 628 F. Supp. 862, 863 (N.D. Ill. 1986), *aff'd*, 811 F.2d 1091 (7th Cir. 1987).

[108] *Weinstein*, 811 F.2d at 1094. The court did not clarify the interaction of the policy and the Copyright Act. *Id.* The court may have thought that the university policy could redefine work made for hire within the meaning of the Copyright Act. *Id.* (noting that university adopted "a policy defining 'work for hire' for purposes of its employees"). The district court in *Weinstein* decided the question of copyright ownership by construing the university copyright policy without reference to the work-made-for-hire and transfer provisions of the Copyright Act. *Weinstein*, 628 F. Supp. at 865.

[109] *See, e.g.*, *Sacchini v. Dickinson State College*, 338 N.W.2d 81, 82-85 (N.D. 1983) (tenure policy incorporated by reference in professor's contract enforced against professor); *Brady v. Board of Trustees*, 242 N.W.2d 616, 618-19 (Neb. 1976) (enforcing dismissal policy incorporated in professor's contract against university).

policies because such aspects of annual employment contracts are not subject to state statutes of frauds.[110]

If, on the other hand, the copyright policy is not expressly incorporated by reference into a written employment contract, the policy appears to satisfy neither the section 204(a) nor the section 201(b) writing requirements. The purpose of the section 204(a) requirement of a writing is to provide evidence of grants in order to protect copyright owners from false claims of transfer.[111] In other words, the section's purpose is to insure that a grant by the copyright owner has in fact been made. A copyright policy which is not expressly incorporated by reference into a writing signed by the professor fails to provide any evidence that a grant has been made. The writing requirement of section 201(b) serves a similar purpose[112] but, unlike section 204(a), it requires an express agreement signed by both the employer and the employee.[113] The legislative history of section 201(b) does not explain why the employee's signature is required in order for the employee to own the copyright in a work made for hire.[114] The requirement in section 201(b) of an agreement entered into by both parties appears to be the result of those 1909 Act cases which stated that, in the case of a work made for hire, the rule that the employer was entitled to the copyright could be overcome by evidence of an agreement between employer and employee that the employee own the copyright.[115] Given that section 201(b) requires an express agreement evidenced by a writing signed by both parties, the signature of a representative of the university affixed to the copyright policy at its adoption would not seem to bind even the university because it is not signed by both parties. With respect to such university policies as tenure and retirement, courts are in less agreement that the policies are terms of the employment contract when the policies are not expressly incorporated by reference into a written contract than when they are so incorporated.[116]

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[110] With respect to the cases cited in note 109, for example, see N.D. Cent. Code § 9-06-04 (1987); Neb. Rev. Stat. § 36-202 (1988).

Gordy Co. v. Mary Jane Girls, Inc., 1989-1990 Copyright L. Dec. (CCH) ¶ 26,515 (S.D.N.Y. 1989), which was decided outside the university context, offers some support for the proposition that a writing providing for transfer of copyright ownership, which is expressly incorporated in a written contract signed by the copyright owner, does not satisfy the § 204(a) writing requirement. The *Gordy Co.* court did not say that the writing expressly incorporated into the signed contract did not satisfy ¶ 204(a), but relied on estoppel to find that the transferee owned the copyright. *Id.* § 23,092-93.

[111] *See Effects Assoc., Inc. v. Cohen*, 908 F.2d 555, 557 (9th Cir. 1990) (stating that § 204(a) prevents inadvertent transfers), *cert. denied*, 111 S. Ct. 1003 (1991); *Eden Toys v. Florelee Undergarment Co.*, 697 F.2d 27, 36 (2d Cir. 1982) (explaining purpose of § 204(a) is to protect copyright holders from mistaken or fraudulent claims of oral licenses); *Mellencamp v. Riva Music Ltd.*, 698 F. Supp. 1154, 1162 (S.D.N.Y. 1988); *Library Publications v. Medical Economics Co.*, 548 F. Supp. 1231, 1234 (E.D. Pa. 1982) (explaining purpose of § 204(a) is "to insure the integrity of copyright interests, once granted"), *aff'd*, 714 F.2d 123 (3d Cir. 1983).

[112] *Baltimore Orioles v. Major League Baseball Players Ass'n*, 805 F.2d 663, 672 (7th Cir. 1986), *cert. denied*, 480 U.S. 941 (1987).

[113] 17 U.S.C. § 201(b) (1988). In the case of a work made for hire, the employer owns the copyright "unless the parties have expressly agreed otherwise in a written instrument signed by them." *Id.*

[114] H.R. Rep. No. 1476, 94th Cong., 2d Sess. 121 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5736. "The subsection also requires that any agreement under which the employee is to own rights be in writing and signed by the parties." *Id.*

VI. ANALYSIS OF UNIVERSITY COPYRIGHT POLICIES

Universities have long claimed ownership of the patentable inventions of faculty members, but traditionally have not claimed their copyrightable works.[117] Universities began adopting written policies claiming professors' patentable inventions early in this century.[118] Most colleges and universities currently have written policies concerning the ownership of the patentable inventions of faculty.[119] In the early 1970s, significant numbers of universities began to adopt written policies governing the ownership of copyrights in works created by faculty members.[120] However, it still appears to be the case today that most colleges and universities have no such written policy.[121]

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[115] For a further discussion of the presumption of employer ownership of copyrights, *see supra* notes 19-21 and accompanying text.

[116] Compare *Hillis v. Meister*, 483 P.2d 1314, 1315, 1317 (N.M. Ct. App. 1971) (finding reappointment policy not expressly incorporated into written contract was term of employment contract) and *Rehor v. Case Western Reserve Univ.*, 331 N.E.2d 416, 419-20 (Ohio) (finding retirement policy not set forth in full and not expressly incorporated by reference was term of employment contract binding professor), *cert. denied*, 423 U.S. 1018 (1975) with *Drans v. Providence College*, 383 A.2d 1033, 1037-38 (R.I. 1978) (finding professor did not agree to retirement policy not expressly incorporated by reference into renewal employment contract). The *Drans* court stated that "a person is not bound by the terms of a written agreement if he had no knowledge of its terms because the manner in which they are embodied in the instrument would not lead a reasonable person to suspect that the terms are part of the contract." *Drans*, 383 A.2d at 1037-38.

[117] *See, e.g.*, Thomas E. Blackwell, *College Law: A Guide for Administrators* 187 (1961); Hollander, *supra* note 31, at 222. Of 83 written policies compiled by the National Academy of Sciences in a 1955 survey, only five mentioned copyrights, and these claimed either no works or extremely limited categories of works. *See* Archie M. Palmer, *Supplement to University Patent Policies and Practices* 45-93 (1955); Archie M. Palmer, *University Patent Policies and Practices* 27-229 (1952); *see also* Charles Weiner, "Universities, Professors and Patents: A Continuing Controversy," 89 *Tech. Rev.* 32 (1986) (history of university ownership of patents). In 1934, 18 universities were developing patents; by 1947, 200 universities were doing so. *Id.* at 39.

[118] The first written patent policy was adopted by Lehigh University in 1924. Lehigh required faculty members to assign certain patents to the university. Archie M. Palmer, *Supplement to University Patent Policies and Practices* 18 (1955); Archie M. Palmer, *Survey of University Patent Policies, Preliminary Report* 146 (1948). Of 800 universities studied by the National Academy of Sciences in 1955, only 83 had written patent policies adopted by the board of trustees, state legislature, or other governing body. Of those, approximately 70 universities claimed ownership of certain faculty patents. Archie M. Palmer, *Supplement to University Patent Policies and Practices* 9, 18, 45-93 (1955); Archie M. Palmer, *University Patent Policies and Practices* 27- 229 (1952).

In order to more accurately assess the impact of written university policies on questions of copyright ownership between faculty and universities, I collected the written copyright ownership policies, if any, of seventy leading research universities classified as "Research Universities I" by the Carnegie Foundation for the Advancement of Teaching.[122] Of these seventy universities, eleven

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A 1977 survey of 48 "major research" universities found that 47 had adopted written patent policies, of which 38 claimed ownership of certain faculty patents. National Ass'n of College and Univ. Business Officers, *Survey of Institutional Patent Policies and Patent Administration* 2 (1978).

[119] *See* Phyllis S. Lachs, "University Patent Policy," 10 *J.C.U.L.* 263, 263 n.1 (1983-1984) (stating trend since early 1960s is development of institutional policy and assertion of rights); National Ass'n of College and Univ. Business Officers, *Survey of Institutional Patent Policies and Patent Administration* 1 (1978) (stating survey results showing 47 of 48 universities had adopted written patent ownership policy were representative of "general community of research universities"); see also Victoria McNamara, "UH Files Lawsuit in Health Value Dispute," *Hous. Bus. J.*, May 14, 1990, § 1, at 1 (reporting University of Houston suit to enforce patent policy against professor); Julie A. Traxler, "Lovers, Lawyers, Upstart Firms – Just About Everybody Loves Retin-A," *Bus. For Cent. N.J.*, Aug. 20, 1990, § 1, at 3 (reporting University of Pennsylvania suit to enforce patent policy against professor).

[120] For example, Cornell University, Massachusetts Institute of Technology and the University of California adopted their first written copyright ownership policies in 1971, 1974 (effective date) and 1975 respectively. National Ass'n of College and Univ. Business Officers, *Patent and Copyright Policies at Selected Universities* (1978).

[121] National Ass'n of College and Univ. Business Officers, *Copyrights at Colleges and Universities* 5 (1980) ("Many institutions have well-defined patent policies and procedures, but few have adequate formal policies governing copyrights."); Ivars Peterson, "Bits of Ownership," 128 *Sci. News* 188, 188 (1985) (noting that most universities do not have comprehensive copyright policy).

[122] The 70 universities classified as "Research Universities I" were selected by the Carnegie Foundation for the Advancement of Teaching based on their range of baccalaureate programs, commitment to graduate education and research, and level of federal support. "Leading Research Universities," *Chron. Higher Educ.*, Sept. 6, 1989 (Almanac), at 24. The 70 universities are listed in Appendix A of this Article. I solicited the policies of the above universities by letters directed to university counsel at the respective schools from February of 1990 through February of 1991. I received responses from all 70 universities. All discussion in this Article relates to policies current at the respective universities at some time between February of 1990 and February of 1991 inclusive.

For additional discussion of the policies of New York University, Pennsylvania State University, California Institute of Technology, Stanford University and Massachusetts Institute of Technology, *see* Rome, *supra* note 41, at 61-67.

currently have adopted no written policy governing ownership of copyright in faculty works and an additional five have such policies in draft form only.[123] Given that major research universities may be expected to adopt copyright ownership policies before smaller universities and colleges, these figures would indicate that a smaller proportion of the latter have adopted such policies to date.

Why have universities begun to adopt copyright ownership policies and why have they done so now? Those current copyright ownership policies collected for this study for which the adoption date (or effective date) is available were adopted between 1967 and 1990 inclusive.[124] At least one court has suggested that universities have adopted copyright ownership policies in response to the passage of the 1976 Act.[125] The adoption of many such policies prior to 1976, however, tends to refute this assumption. Further, none of the policies collected in this study fails to claim at least some faculty works,[126] which suggests that the purpose of adoption was not to maintain the pre-1976 Act status quo, but rather to claim ownership of certain works for the university. Of the policies studied, eight offer express explanations for the timing of the adoption of the policy.[127] The advent of new technology and an increased interest in commercialization of faculty works are the primary reasons presented.[128] Only one policy cites the adoption of the 1976 Act as a motivating force; this policy goes on to state that the policy was also motivated by ownership issues raised by the increased use of university resources in creating technologically complex works.[129] Of the policies collected, nineteen distinguish computer programs from other copyrightable works,[130] permitting an inference that their treatment was a matter of concern to the universities.

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[123] Of the 11 universities that have not adopted a written copyright ownership policy as of the date of this study, four indicated that adoption of such a policy is not contemplated. *See* Letter from Ralph McCaughan, Office of the University Counsel, Duke University (Feb. 8, 1990); Letter from Albert J. Velasquez, Office of the University Counsel, Indiana University at Bloomington (May 29, 1990); Letter from Caroline Kerl, Legal Advisor, Oregon State University (Feb. 15, 1990); Telephone conversation with Toby Stone, Yeshiva University (Feb. 8, 1991). All correspondence cited throughout this Article was directed to the author.

Of the remaining 54 universities that have adopted written copyright ownership policies, one, Columbia University, states in its faculty handbook, to which the written copyright policy is made expressly subject, that the policy is not complete. The policy with respect to "designs, both architectural and theoretical, computer programs, and technical writings" is in the process of being developed. *Columbia University Faculty Handbook* 113 (1987); Columbia University, *Statement of Policy on Proprietary Rights in the Intellectual Products of Faculty Activity* 14 (adopted by Trustees, June 5, 1989) [hereinafter *Columbia University, Statement of Policy*]. The University of Michigan has a "Regents' Bylaw" which addresses the ownership of patents and copyrights; a more detailed policy is not planned. Letter from John D. Ketelhut, Deputy General Counsel, University of Michigan (Feb. 20, 1990).

Of the five draft policies, that of Northwestern University does not purport to be binding with respect to works claimed by the University, but merely to constitute the university's plan for future negotiations with faculty. Northwestern University, *Copyright Policy Draft* 1 (approved by Intellectual Property Committee, Mar. 28, 1989).

[124] The adoption (or effective) dates of these current policies are as follows: University of Miami, 1967; New York University, 1972; Michigan State University, 1973; Case Western Reserve University, 1974; University of California (six schools), 1975; Harvard University, 1976 (first copyright policy adopted in 1975); University of Wisconsin at Madison, 1977; University of Maryland at College Park, 1979; University of Georgia, 1982; Pennsylvania State University, 1982; University of Iowa, 1983; University of North Carolina at Chapel Hill, 1983; North Carolina State University, 1983; Rockefeller University, 1984; University of Tennessee at Knoxville, 1984; Carnegie Mellon University, 1985; University of Cincinnati, 1986; University of Illinois at Chicago, 1986; New Mexico State University, 1986; University of Virginia, 1986; University of Kentucky, 1988 (1988 is effective date; first copyright policy adopted in 1974); University of Chicago, 1989; Columbia University, 1989; University of New Mexico, 1989; University of Pittsburgh, 1990 (effective date); University of Rochester, 1990 (effective date); Yale University, 1990. Note that some of these policies may have been revised since the adoption or effective date.

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[125] *Weinstein v. University of Illinois*, 811 F.2d 1091, 1094 (7th Cir. 1987) ("The University of Illinois, like many other academic institutions, responded to the 1978 [sic] revision of the copyright laws by adopting a policy defining 'work for hire' for purposes of its employees, including its professors.").

[126] A possible exception is the University of Connecticut, whose patent policy is contained in state statutes and provides in relevant part, "The provisions of [the patent policy] shall not entitle the university ... to claim any literary, artistic, musical or other product of authorship [protected by copyright]." Conn. Gen. Stat. §§ 10a-110g (1988). This provision does not constitute a copyright policy; if given works are works made for hire under the Copyright Act and therefore belong to the university, this statement would not vary that ownership result.

[127] Columbia University, *Statement of Policy*, *supra* note 123, at 2; Georgia Institute of Technology, *Faculty Handbook* 6:16 (no date) (Copyright Policy, dated Jan. 1981); Harvard University, *Statement of Policy in Regard to Inventions, Patents and Copyrights* 1 (adopted by President and Fellows, Nov. 3, 1976, amended Mar. 17, 1986); University of Kentucky, *Intellectual Properties Policy and Procedures* 1 (effective Jan. 12, 1988); University of Maryland, *Copyright Policy* 2 (approved by Regents, June 15, 1979); Michigan State University, *Faculty Handbook* 149 (1985) (Development of Instructional Materials, approved by Trustees, Nov. 16, 1973; revised July 28, 1983); University of Tenneseee, *Statement of Policy on Patents, Copyrights, and Licensing* (Foreword) (adopted by Trustees, Oct. 19, 1984). University of Utah, *Copyright Policy: Ownership* 2 (dated July 26, 1983).

[128] E.g., Harvard University, *supra* note 127, at 1 (growing use of technology raises new problems relating to ownership); University of Kentucky, *supra* note 127, at 1 (recent developments have broadened scope of commercially valuable information and technology, which should be treated as university assets); Michigan State University, *supra* note 127, at 149 ("new technology" requires expensive resources provided by university, thus raising issue of ownership). Letters from two university counsel stated that policies were under consideration or adopted in response to the issue of ownership of computer programs. Letters from William H. Griesar, General Counsel, The Rockefeller University (Feb. 13, 1990). The other university counsel requested anonymity for his university. For a further discussion of works claimed by genre (computer programs and works requiring advanced technology), *see infra* notes 148-51 and accompanying text.

[129] University of Maryland, *supra* note 127, at 1-3 ("Works in other than simple written form as well as simple written works are more often a specific job task and more often involve release time, special funding, computer use, special equipment and the like.").

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[130] California Institute of Technology, *Faculty Handbook* ch. 7, at 6 (no date) (Royalties and Copyrights, revised May 1984); Carnegie-Mellon University, *Intellectual Property Policy* 6 (dated July 30, 1985; effective Aug. 27, 1985); Case Western Reserve University, *Faculty Handbook* 28-34 (1988) (University Policies on Research and Scholarship, approved by Trustees, Aug. 5, 1974); Colorado State University, *Faculty Manual* J-6 (1989-1990) (Scholarly and Creative Activities of the Faculty, no date); Columbia University, *Statement of Policy*, *supra* note 123, at 3; University of Illinois at Urbana-Champaign, *General Rules Concerning University Organization and Procedure* 30-31 (Copyrights, no date); University of Illinois at Chicago, *Policy on Patents and Copyrights* 11-12 (approved by Trustees, May 8, 1986); University of Iowa, *University Operations Manual*, *supra* note 104, at 30.16; Louisiana State University, *Copyright Policies and Procedures* 9 (no date); Massachusetts Institute of Technology, *supra* note 104, at 12; University of Michigan, *Bylaws of the Board of Regents* (Ownership of Patents, Copyrights, Computer Software, and Other Property Rights, dated Dec. 1985); University of North Carolina at Chapel Hill, *Patent and Copyright Procedures* (adopted by Trustees, Aug. 19, 1983); Ohio State University, Policy on Patents and Copyrights 1 (revised May 1989); University of Pittsburgh, *Policy*: 11-02-02, at 2 (Copyrights, effective June 29, 1990); University of Rochester, *Policy on Intellectual Property and Technology Transfer* 1 (effective June 1, 1990); Rockefeller University, *Copyright Policy* 1 (approved by Trustees, Jan. 18, 1984); University of Texas, *Rules and Regulations*, ch. V, § 2.4 (Basic Intellectual Property Policy, amended through Dec. 7, 1989); Texas A & M University, *Administrative Policy and Reporting Manual* ch. 104, at 2 (no date) (Copyrights, dated Apr. 22, 1985). I have not cited by name the policy of one university, which requested anonymity.

Policies that include computer programs in a laundry list of types of works are not included in the above tally. In addition, policies for computer programs separate from the copyright policy are not included in the above tally. Of the universities considered in this study, at least the following five have a separate policy dealing with the ownership of computer programs: University of Miami, *University Sortware, Patent and Copyright Policy* (amended Feb. 6, 1989); New York University, Faculty Handbook 124-C (1989) (Statement of Policy on Computer Software Copyrights, approved by Trustees, Jan. 24, 1972); North Carolina State University, *Guidelines and Procedures for Determining Ownership of Computer Software* (approved by Trustees, Apr. 11, 1987); University of Pennsylvania, *Almanac* 38 (Apr. 15, 1986) (Policy on Computer Software, approved Mar. 19, 1986); University of Wisconsin-Madison, *General Administrative Policy Paper* 10 (Computer Software Ownership, revised Oct. 21, 1985).

Some universities treat the ownership of computer programs in their patent policies, even if such programs are protected by copyright rather than by patent. *See* University of Minnesota, *Patent & Technology Transfer Policy* 1 (enacted by Regents, Oct. 10, 1986); Princeton University, *Copyright Policy* 13 (dated May 1, 1982) (computer programs shall be governed by patent policy because they are "closer to inventions"). Some universities have attempted to split the treatment of computer programs between their patent and copyright policies, thus compounding the interpretation problems inherent in such policies. *See* Case Western Reserve University, *supra*, at 28-34 (computer programs other than "computer-aided instructional material" governed by patent policy); University of Chicago, *Statute 20: Patents and Software* 1-2 (approved by Trustees, Apr. 25, 1989) ("device-like software" to be treated like inventions, "textual software" to be treated like "published material").

The impact of copyright policies on issues of copyright ownership has been discussed above.[131] The existence of a writing signed by the professor and the university, into which the copyright policy is expressly incorporated by reference, appears to determine the policy's effectiveness in varying copyright ownership.[132] It is not clear what proportion of the policies collected are expressly incorporated by reference, although six of the policies mention such a signed writing.[133] Those universities which do not have an effective copyright policy, or which have no policy, do not alter the ownership result produced under the Copyright Act, as discussed above.[134] It is important to bear in mind that the absence of an effective policy is not necessarily equivalent to yielding ownership of all works to the faculty.

The copyright policies collected in this study vary in terms of the types of faculty works claimed for the university. A few policies protect the university's perceived interest by providing for one of the following in place of sole copyright ownership by the university: joint copyright ownership by the professor and the university, a royalty-free license for the university, or reimbursement of the university for use of university resources. Most of the policies make some effort to protect the professor's interests, in spite of the fact that the university claims certain works. Examples of this effort are statements of support for academic freedom, provisions for professors to receive a share of royalties, and provisions giving some limited degree of control over the

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It has been suggested that it is the advent of computer programs that has prompted universities to reevaluate their intellectual property policies. *See* Hollander, *supra* note 31, at 222; *see also* Peterson, *supra* note 121, at 188 (reporting that growing computer software sales are forcing universities to rethink copyright policies, stating that "real issue is money"); D'Vera Cohn, "Professors Invent Collegiate Quandary," *Wash. Post*, Oct. 22, 1986, at A1 (reporting interest in intellectual property policies accelerated by computer programs). Many faculty members are in fact writing computer programs. Judith Axler Turner, "Colleges, Scholarly Societies, and Foundations Create Software- Dissemination Projects to Share Expertise," *Chron. Higher Educ.*, Oct. 17, 1990, at A17.

[131] For a discussion of the impact of copyright policies, *see supra* notes 97-116 and accompanying text.

[132] For a discussion of the effect of incorporation of copyright policies in employment contracts, *see supra* notes 105-16 and accompanying text.

[133] Carnegie-Mellon University, *supra* note 130, at 10; University of Florida, *Florida Administrative Code*, Rule 6C1-7.0392, at 44 (Academic Affairs: Copyrights and Patents, no date); University of Georgia, *Copyright Policy* 3 (approved by Regents, June 10, 1982); Massachusetts Institute of Technology, *supra* note 104, at 20; University of Minnesota, *Copyright Policy* 7 (Draft, dated Feb. 22, 1990); Stanford University, *Guide Memo* 76: Copyrightable Materials and other Intellectual Property 3 (dated Apr. 15, 1990).

[134] For a discussion of the effect of university copyright policies, *see supra* notes 97-104 and accompanying text.

copyright to the professor. Many policies make some provision for construction and enforcement of the policies' terms.

It should be noted at the outset that many policies contain internal inconsistencies, undefined terms, and unnecessarily vague language. The policies therefore are fertile ground for future litigation, such as *Weinstein v. University of Illinois*, in which the copyright policy of the University of Illinois at Chicago was construed.[135] Of the policies studied, some of the best drafted from a technical standpoint are those of the University of Georgia, Massachusetts Institute of Technology, and Ohio State University.[136]

The most common standard employed by universities for claiming ownership of faculty works is "use of university resources" or "significant or substantial use of university resources;" forty-two of the policies in this study employ some variant of this language.[137] That universities should use this standard is not surprising because the use of university resources is often cited by universities as the equitable basis for their claims.[138] However, since there is no tradition of applying this standard, the process of defining it will be one of uncertainty for both parties, possibly resulting in conflict and litigation. Sixteen of the forty-two policies narrow the scope of works claimed under this standard by excluding from "significant use of university resources" some of the following commonly provided resources: libraries, offices, salaries, classrooms, laboratories, and secretaries.[139]

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[135] For a discussion of Weinstein, *see supra* notes 86-89 and accompanying text.

[136] University of Georgia, *supra* note 133; Massachusetts Institute of Technology, *supra* note 104; Ohio State University, *supra* note 130.

[137] E.g., Louisiana State University, *supra* note 130, at 9 ("significant use of funds, space or facilities"); New Mexico State University, *Administrative Policy and Procedures Manual* 153 (1989) (Policies and Procedures Governing Intellectual Property, approved by Regents, Oct. 1986) ("significant use of university facilities"); University of Pittsburgh, *supra* note 130, at 1 (materials created at least in part with use of university resources); Purdue University, *Executive Memorandum* NO. B-10 (Statement of University Policy, Principles and Administrative Procedures Relating to the Ownership of Patents, Copyrights, dated Mar. 21, 1973) ("use of facilities or funds").

[138] E.g., Carnegie-Mellon University, *supra* note 130, at 7-8 (distribution of financial rewards should reflect resources contributed by and risks assumed by university); University of Wisconsin, *General Administrative Policy Paper*, Subject: Ownership, Use and Control of Instructional Materials 1 (dated Apr. 15, 1977) (university "may have a direct interest in certain instructional materials because substantial public resources have been used in their creation and production").

[139] E.g., University of Georgia, *supra* note 133, at 2 (excludes libraries); Texas A & M University, *supra* note 130, ch. 104, at 3 (excludes office and library; expressly includes classroom and laboratory facilities); University of Virginia, *supra* note 100, at 15.5.1.3 (excludes office, library, salary; expressly includes computer use, graduate assistant's services, laboratory materials and secretarial assistance). The excluded resources listed in the text appear roughly in the order of the frequency of their exclusion. Some of the policies clarify that "significant or substantial use of university resources" means use of resources beyond those usually available to faculty. E.g., New

Two policies provide greater predictability by defining "substantial" or "significant" use in terms of fixed dollar amounts.[140] Defining "substantial" with reference to such an ascertainable standard is advisable.

The use of university resources is a broad standard and could subsume almost any faculty work. This is particularly the case where "use" is not modified by "substantial" or where secretarial and word-processing assistance are not excluded. In spite of the breadth of the university-resource standard, universities are not currently enforcing such policies to their full extent.[141] Aside from the possibility that the university may be found to have waived promises by faculty members to assign copyrights by non-enforcement of the policy,[142] broad claims that are selectively enforced will lead to surprise on the part of professors and increased conflict between professors and the university.[143]

York University, *supra* note 130, at 124-C ("use of resources commonly available to all faculty" not considered substantial use); University of Virginia, *supra* note 100, at 15.5.1.3 (significant use of university resources is use "over and above that provided in the normal course of ... support of faculty in the pursuit of scholarly activities").

[140] Carnegie-Mellon University, *supra* note 130, at 3 (use qualifies if "use of similar facilities would cost the creator more than $5,000 ... in constant 1984 dollars if purchased or leased in the public market"); Virginia Polytechnic Institute and State University, *Policy on Intellectual Property* 8 (no date) (use of non-excluded resources in excess of $1,000 in any 12-month period is substantial); *see also* North Carolina State University, *supra* note 130, at 2 (significant use of resources includes use of consultants or research/teaching assistants for more than eight hours in one semester).

A standard similar in rationale to "substantial use of university resources," which appears in nine of the policies in this study, is "direct allocation for a specific project." E.g., California Institute of Technology, *supra* note 130, ch. 7, at 6 ("if ... the Institute provides its own funds ... to finance ... a specific research or educational project"); University of Cincinnati, *Intellectual Property Policies and Procedures* 22 (Copyright Policy, adopted Dec., 1986) ("direct allocation of University funds for the pursuit of a specific project"); Stanford University, *supra* note 133, at 1 ("direct allocation of funds through the University for a specific project"). This standard should prove relatively straightforward to construe and apply.

[141] *See, e.g.*, Letter from Elizabeth B. O'Brien, Assistant General Counsel, University of Pennsylvania (June 12, 1990); Janis Clark, *Formulation of a Guide to University Copyright Policy Revision* 80-81 (1984) (unpublished doctoral dissertation in education, University of Northern Colorado) (consisting of survey of opinions of university administrators and faculty at 36 universities and suggesting that fact that faculty is generally unaware of policies is evidence of nonenforcement).

[142] *See, e.g., Saverslak v. Davis-Cleaver Produce Co.*, 606 F.2d 208, 213 (7th Cir. 1979) (stating waiver occurs when known right is intentionally relinquished, either expressly or by conduct inconsistent with intent to enforce right), *cert. denied*, 444 U.S. 1078 (1980); *see generally* 5 Samuel Williston, *A Treatise on the Law of Contracts* § 678 (3d ed. 1961 & Supp. 1991).

[143] None of the policies in this study appears to be so broad as to be invalid under state statutes invalidating contracts by employees to assign to employers their "inventions" produced without the

With the exception of policies which claim works by genre, the remaining standards for determining which works are claimed by the university all derive from the concept of work made for hire. These policies claim works produced as a result of "specific," "direct" or "written" "job assignment" or "duties" (twenty-five policies),[144] works produced by "persons hired to produce such works" (nine policies),[145] "commissioned" works (ten policies),[146] or works made for hire within the meaning of the Copyright Act (six policies).[147] The use of the language "works produced by persons hired to produce such works" is not recommended; such language might or might not include, for example, traditional scholarship. Given the confusion in the courts concerning the survival of the exception for professors from the work-made-for-hire doctrine, it is not advisable to draft a copyright policy in terms of works made for hire within the meaning of the Copyright Act.

Some policies claim and disclaim works by genre. The type of work most often claimed by genre is computer programs; nineteen copyright policies in this study specifically claim some or all

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employer's resources, on the employee's own time, unrelated to the employer's business and research, and not resulting from the employee's work for the employer. *See* Cal. Lab. Code § 2870 (West 1989); Del. Code Ann. tit. 19, § 805 (1985); Ill. Rev. Stat. ch. 140, para. 302 (Smith-Hurd 1986); Kan. Stat. Ann. § 44-130 (1986); Minn. Stat. Ann. § 181.78 (West Supp. 1991); N.C. Gen. Stat. § 66-57.1 (1985); Utah Code Ann. § 34-39-3 (1991); Wash. Rev. Code Ann. § 49.44.140 (West 1990). The above statutes do not define the term "invention," with the result that the statutes may be applicable to some copyrightable works, particularly computer programs. *See* Ronald Cooley, "Recent Changes in Employee Ownership Laws: Employers May Not Own Their Inventions and Confidential Information," 41 *Bus. Law*. 57, 66 (1985); Henrik D. Parker, "Note, Reform for Rights of Employed Inventors," 57 *S. Cal. L. Rev*. 603, 614 (1984). To comply with the above statutes, other than those of North Carolina, Delaware and Utah, the university must include notice of the limits imposed by the statute in any contract requiring assignment of "inventions."

[144] E.g., University of Maryland, *supra* note 127, at 2 ("specific assignments or specific duties not connected with conventional teaching, research, scholarship or artistic endeavors"); Ohio State University, *supra* note 130, at 1 ("specific University duty or assignment"); Princeton University, *supra* note 130, at 2 ("specifically assigned duties").

[145] *See, e.g.*, University of Hawaii, *Hawaii Administrative Rules* tit. 20, ch. 3 (Patent and Copyright Policy, effective Nov. 22, 1968) ("produced by persons who are engaged by the university specifically to produce such manuscripts or works"); University of Kentucky, *supra* note 127, at 3 (worksof faculty employed "for the purpose of producing such works"); Purdue University, *supra* note 137, at 2 (work produced by person "employed by the University for the specific purpose of preparing materials").

[146] E.g., Michigan State University, *supra* note 127, at 151; University of Missouri, *Collected Rules and Regulations* 100.030, at 1 (1986) (Copyright Regulations, no date); Stanford University, *supra* note 133, at 1.

[147] E.g., University of Cincinnati, *supra* note 140, at 21; University of Rochester, *supra* note 130, at 3; Texas A & M University, *supra* note 130, ch. 104, at 1-2.

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computer programs created by faculty.[148] A few policies attempt to define claimed works in terms of genres or types of work other than computer programs,[149] such as "technical materials" developed "under the jurisdiction of the university," including photographs, audiotapes, films, and broadcasting scripts,[150] or "material in non-print media."[151] Thus, works claimed by genre tend to be potentially marketable works, whose production may require expensive equipment.

Eighteen policies in this study limit the impact of the policies on faculty by claiming for the university an interest less than sole copyright ownership with respect to at least some works. Those few policies which provide for the university and the professor to be "joint owners" or "co-authors" of certain works[152] are presumably intended to create, and in fact do create, tenancies in common rather than joint tenancies, by analogy to section 201(a) of the Copyright Act, which creates a tenancy in common in co-owners of a joint work.[153] Such provisions creating cotenancies between the university and the professor are inadvisable. Since either co-owner can license the work,[154] joint decisions by the university and the professor will be necessary for effective marketing of the work.[155] A more workable alternative, employed with respect to at least some works by ten policies in this study, is to give the university a non-exclusive, royalty-free license to use the work.[156] Such a provision permits the professor to market the work independently outside the university because the university has no right to license use of the work to others.[157] An alternative which creates even less possibility of future friction between the professor and university is reimbursement of the university by the professor for the resources used. Reimbursement provisions appear in five policies with respect to certain works.[158] However, neither a license to use the work within the university nor reimbursement satisfies the university's interest in generating revenue.

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[148] For a further discussion of policies claiming computer programs, *see supra* note 130 and accompanying text. A few of the claims to computer programs are extremely broad. For example, the California Institute of Technology policy claims "all rights to computer software ... whether copyrightable or patentable produced by Faculty members in the line of Institute duty or with the use of Institute facilities." California Institute of Technology, *supra* note 130, ch. 7, at 6.

[149] Two policies apply only to "educational materials." Michigan State University, *supra* note 127, at 150; University of Missouri, *supra* note 146, at 1. The University of Missouri policy, however, defines the above term so broadly that it might include any copyrightable work. University of Missouri, *supra* note 146, at 1-3. For a discussion of works disclaimed by genre, *see infra* note 163 and accompanying text.

[150] Colorado State University, *supra* note 130, at J-3. The policy does not define "technical materials" or "jurisdiction of the University," but gives examples, including those cited in the text.

[151] Rockefeller University, *supra* note 130, at 1. Materials in non- print media are claimed only if produced "in the course of employment by the University" or "through the use of facilities or funds of the University." *Id.*

[152] University of Georgia, *supra* note 133, at 2; Georgia Institute of Technology, *supra* note 127, at 6:16; University of North Carolina at Chapel Hill, *University Copyright Guidelines* 7 (approved by Faculty Council, no date); North Carolina State University, *supra* note 130, at 1.

[153] *See* 17 U.S.C. § 201(a) (1988). Section 101 provides that a "'joint work' is a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole." *Id.* § 101. "The authors of a joint work are co-owners of copyright in the work." *Id.* § 201(a). The form of cotenancy between co-owners of copyright is tenancy in common. 1 Nimmer & Nimmer, *supra* note 19, § 6.09.

Such a policy provision does not create a "joint work" within the meaning of the Copyright Act because the policy cannot make the university an "author" within the meaning of the act. For a discussion of the effect of employer-employee agreements, *see supra* notes 64-65 and accompanying text.

University copyright policies generally show concern for the interests of faculty. Attempts to protect these interests range from purely symbolic assertions of commitment to academic freedom[159] to royalty provisions and express disclaimers by the university of copyright in certain works. Eighteen of the policies in this study contain statements of commitment to academic freedom or the free dissemination of ideas.[160] Such concerns are raised by university ownership of faculty works because the copyright owner has exclusive power to publish[161] and may suppress publication.[162] Sixteen policies expressly disclaim university ownership of copyrights in traditional scholarly works, such as books and articles, although most of these policies contain exceptions to this disclaimer.[163] Nearly every policy (forty-six) provides for payment of a share of the income from at least some works claimed by the university to the creator of the work.[164]

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[154] 1 Nimmer & Nimmer, *supra* note 19, § 6.10.

[155] For a discussion of the advisability of co-ownership between elementary and secondary schools and their teachers, *see* VerSteeg, *supra* note 87, at 410.

[156] *See, e.g.*, University of California, *University Copyright Policy* 4 (dated Aug. 1, 1975; revised Apr. 15, 1977) ("free and irrevocable license" to use works created without university resources "in conjunction with ... University employment"); Case Western Reserve University, *supra* note 130, at 33 ("royalty-free right to ... internal use" of material developed "as a consequence of initiatives taken by others" than the professor); University of Washington, *supra* note 100, at 49 ("right to royalty-free use" of material when development was "advanced" through use of university resources). Note that such licenses are analogous to the rights conferred on the employer by the "shop right" doctrine of patent law. *See* 1 Peter D. Rosenberg *Patent Law Fundamentals* § 11.04, at 11-16 (1988). Not included in the tally is one policy which claims an exclusive license in worksto which the university's contribution is "de minimis." Virginia Polytechnic Institute and State University, *supra* note 140, at 6.

A non-exclusive, royalty-free license held by schools in the works of teachers is the solution recommended in the context of elementary and secondary schools by Professor VerSteeg. VerSteeg, *supra* note 87, at 410-12.

[157] Such policy provisions do not always state explicitly that the license does not include the power to grant further licenses.

[158] E.g., Harvard University, *supra* note 127, at 4 (where "significant additional costs" to university, reimbursement expected); University of New Mexico, *supra* note 100, at 7 (where employee makes extensive use of university resources, director, department chair or dean may require reimbursement); Princeton University, *supra* note 130, at 2 (where "substantial expenditures for additional work, ... part of the income received should be used to reimburse").

[159] For a statement of traditional academic freedom, *see* American Association of University Professors and Association of American Colleges (Joint Conference), *1940 Statement of Principles*

The most creative measures designed to protect the professor's interests are those which recognize the importance to the professor of control over dissemination of works whose copyright is claimed by the university. Most of the universities in this study have not employed such measures. Relatively few policies contain, for example, provisions which grant the professor the power to

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in Academic Freedom and Tenure.

[160] E.g., Louisiana State University, *supra* note 130, at 9 ("The copyright policy seeks to protect and promote the traditional academic freedom of the University's faculty, staff, and students in matters of publication."); Stanford University, *supra* note 133, at 1 ("[t]o enable the University to foster the free and creative expression and exchange of ideas and comment"); Yale University, *University Copyright Policy* 1 (adopted by Corporation, June, 1990) ("[T]he University encourages the wide dissemination of scholarly work produced by members of the Yale community, including copyrightable works.").

[161] 17 U.S.C. § 106(3) (1988) (owner of copyright has exclusive right to distribute copies or phonorecords of copyrighted work to public by sale, rental or lending).

[162] *Salinger v. Random House, Inc.*, 650 F. Supp. 413, 423 (S.D.N.Y. 1986) (the owner's "copyright permits him to suppress its publication"), *rev'd on other grounds*, 811 F.2d 90 (2d Cir.), *cert. denied*, 484 U.S. 890 (1987).

[163] E.g., University of Rochester, *supra* note 130, at 3 ("the University generally does not claim for itself copyrights in those books, articles, theses, papers, novels ... and similar works which are intended to disseminate the results of the academic research, scholarship, and artistic expression of its faculty"; excepted are works produced with significant use of university resources, "institutional works" and sponsored works); University of Tennessee, *supra* note 127, at 3 (rights to textbooks and monographs and scholarly and literary publications belong to creator unless work is commissioned or sponsored).

[164] *See, e.g.*, California Institute of Technology, *supra* note 130, ch. 7, at 1 ("the author ... will receive fifteen percent (15%) of the gross sum of any royalty received by the Institute"); New Mexico State University, *supra* note 137, at 153 ("[F]or earnings less than or equal to $1,000,000, the originator will receive not less than 50 percent and the university the remainder. For those earnings in excess of $1,000,000, the originator will receive not less than 25 percent, and the university the remainder."); University of Virginia, *supra* note 100, at 15.5.1.4 ("[T]he work's author(s) will receive, from any work in which it is determined that the University owns the copyright interest, fifty percent of the net royalties or other income which accrue.").

control use of the work within the university (five policies),[165] the power to revise the work (seven policies),[166] or the power to make new works based on the claimed work (one policy).[167] None of the policies in this study gives the professor unilateral control over any aspect of use of the work outside the university, such as how or where the work is marketed or published.[168] Only six policies provide for transfer of the copyright in works claimed by the university to the professor if commercialization or publication has not taken place within a given time period, and most such provisions are not mandatory.[169]

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[165] Case Western Reserve University, *supra* note 130, at 29; Michigan State University, *supra* note 127, at 152; University of Missouri, *supra* note 146, at 5; Purdue University, *supra* note 137, at 3; University of Washington, *supra* note 100, at 50-51.

All but one of the above policies also provide that the university and the professor shall make an agreement concerning the conditions of use outside the university. E.g., Purdue University, *supra* note 137, at 3 (licensing or sale by university shall be preceded by written agreement between university and author regarding conditions of use).

[166] Case Western Reserve University, *supra* note 130, at 29; Michigan State University, *supra* note 127, at 153; Purdue University, *supra* note 137, at 3; Texas A & M University, *supra* note 130, ch. 104, at 2; University of Missouri, *supra* note 146, at 5; University of Utah, *supra* note 127, at 7; University of Wisconsin, *supra* note 138, at 3.

[167] University of Missouri, *supra* note 146, at 3. The right to make a new work based upon an existing work is the copyright owner's exclusive right to make a derivative work. 17 U.S.C. §§ 101, 106(2) (1988).

Fourteen policies require the university to consult with the professor concerning use or revision of the work; such a provision gives the professor no control over his work. *See, e.g.*, Virginia Polytechnic Institute and State University, *supra* note 140, at 8 (author shall have the right to make recommendations to the president regarding marketing).

[168] A few policies provide that the university may, at its discretion, grant the author control over certain aspects of distribution. E.g., Massachusetts Institute of Technology, *supra* note 104, at 13.

[169] E.g., Carnegie-Mellon University, *supra* note 130, at 8 (if university does not develop commercially, ownership "may be acquired by the creator"); University of Kentucky, *supra* note 127, at 6 (if no commercialization within two years, originator may request that all rights be returned); Virginia Polytechnic Institute and State University, *supra* note 140, at 5 (if university fails to make progress toward exploitation within 12 months, employee may make written request that ownership pass to employee).

The provisions dealing with revisions, derivative works, and transfer of copyright to the author if there is not timely commercialization, as well as author's warranties (seven policies), may have been suggested by publishing contracts, which often contain such provisions. The author's warranties consist of promises that works claimed by the university do not infringe any copyrights or violate any other rights, and of promises to indemnify the university for any loss if the works do so infringe or violate rights. *See, e.g.*, Michigan State University, *supra* note 127, at 156 (faculty member shall certify that materials do not infringe any copyright or other rights and shall be liable to university for judgments resulting from such infringements); Texas A & M University, *supra* note

Construction of the policies will become necessary as disputes arise; the issues of construction and adjudication of disputes are addressed by some of the policies. Of these policies, many provide for a committee within the university to perform the initial decision making, with a final "binding" decision to be made either through "arbitration" or by a university official, such as the provost or president.[170] To the extent that the policy is enforceable as a contract,[171] such provisions would constitute an agreement to arbitrate, which is generally enforceable.[172] The fact that university officials are also representatives of the university does not appear to disqualify them from acting as the sole arbitrators of disputes.[173] However, use of university officials as final arbiters of ownership disputes between the university and faculty may create the appearance of unfairness and therefore lead to increased conflict.

VII. OWNERSHIP OF PROFESSORS' WORKS

The previous sections of this Article have addressed the questions of who owns the copyright in professors' works under the Copyright Act and under the terms of university copyright policies. This section suggests approaches to the question of who should own faculty works.

Asking who should own the copyright in faculty works suggests an overly simplistic response. The interest taken by universities in faculty copyrights is primarily monetary, as demonstrated by the universities' interest in holding copyright in technologically complex works,

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130, ch. 104, at 7 (author shall warrant that work does not infringe any copyright or other rights and that work contains no libelous material or material that invades privacy).

[170] E.g., Carnegie-Mellon University, *supra* note 130, at 9 (party not satisfied with decision of committee may seek binding arbitration); University of Miami, *supra* note 130, at 123 (appeal from committee to president whose decision is binding).

[171] The enforceability of an arbitration provision would be an issue only where the ownership provisions of the policy were enforceable. For a discussion of the enforceability of ownership provisions, *see supra* notes 97-116 and accompanying text.

[172] *Zechman v. Merrill Lynch, Pierce, Fenner & Smith*, 742 F. Supp. 1359, 1365 (N.D. Ill. 1990) (question whether issue is arbitrable is to be resolved in favor of arbitration); *Frager v. Pennsylvania Gen. Ins. Co.*, 231 A.2d 531, 533 (Conn. 1967) ("duty to arbitrate may be created by contract"), appeal after remand, 289 A.2d 896 (Conn. 1971).

[173] *See Westinghouse Elec. Corp. v. New York City Transit Auth.*, 735 F. Supp. 1205, 1226 (S.D.N.Y. 1990) (parties free to agree upon identity of arbitrators); *City of Baltimore v. Allied Contractors, Inc.*, 204 A.2d 546, 552 (Md. 1964) (parties may provide for submission of disputes to arbitrator who is an official of one of the parties). But *see Hope v. Superior Court of Santa Clara County*, 175 Cal. Rptr. 851, 856 (Ct. App. 1981) (finding arbitration provisions unconscionable where arbitrators were associated with employer), *cert. denied*, 456 U.S. 910 (1982).

evident in the university policies discussed above.[174] Some university officials assert that the university's motive in claiming professors' works is not solely revenue raising, but that the university thereby assists the professor in distribution.[175] However, assistance in exploitation through publication and licensing can be offered to professors without claiming any interest in faculty works. Further, the model of narrow-minded professors, who lack the wider vision of university administrators necessary in order to protect the interests of society in their copyrightable works, does not reflect reality. Faculty members have, on the other hand, in addition to monetary interests in their works, an interest in controlling their dissemination, such as the manner of distribution, the making of revisions, and the production of later works based on their works.[176] The latter interests have received too little recognition from universities that establish the rights of the parties by contract, as demonstrated by the analysis of university policies in the preceding section. The university has little to gain by claiming aspects of the copyright in which it has no real interest; to the extent possible the economic and academic interests in faculty works should be separated.[177] Aspects of the copyright that should be considered in any determination of who should own which rights include: (1) the right to determine whether to distribute, when to distribute, through what marketing organization, at what price, with what revisions initially, and when to make further revisions (such as a second edition); (2) the right to make such further revisions; (3) the right to make and license the making of other works based on the work; (4) the right to perform the work; (5) the right to receive income produced by the work in its original form, to receive income produced by the work with subsequent revisions, and to receive income produced by works based on the work; and (6) the right to acquire distribution rights if the other party fails to distribute.

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[174] For a discussion of university interest in faculty copyrights, *see supra* notes 128-30 and 148-51 and accompanying text.

[175] *See, e.g.*, Cohn, *supra* note 130, at A1.

[176] The monetary rights and other rights comprising the copyright discussed in the text are narrower than the "pecuniary" and "nonpecuniary interests ... at stake in the creative process," discussed by Professor Dreyfuss. *See* Dreyfuss, *supra* note 1, at 605. For example, one of the nonpecuniary interests discussed by Professor Dreyfuss is the choice of what works to create and when to create them. *Id.* at 606-14. Professor Dreyfuss argues that copyright ownership in the university is undesirable in part because the university would then have the incentive to influence these decisions. *Id.* Universities presently exert enormous influence over these decisions regardless of copyright ownership.

See id. at 617, 620, 625 (discussing impact on creative employee's reputation of timing of publication and of form in which work published; harm to creator if unable to make derivative works); Clark, *supra* note 141, at 79 (reporting that survey shows faculty fear university control of their works).

[177] Professor Dreyfuss warns of a problem that may arise if the creator owns the right to decide when to publish, but not the right to income: the creator may delay publication. Dreyfuss, supra note 1, at 618. This problem will not arise if the creator has some share of the right to income, which is the case under most of the copyright policies in this study. For examples of universities sharing income with faculty, see supra note 164 and accompanying text.

Of course, the academic and economic interests in copyrightable works may, in some cases, be inextricable, as where the professor wishes to distribute his work free of charge in the interest of scholarship, and the university wishes to exploit the work financially.[178] Among copyrightable works this particular conflict is especially likely to arise with respect to computer programs written by faculty.[179]

The issues that bear on the determination of who should own even the monetary interest in a work are complex. Colleges and universities face a pressing need for sources of revenue as enrollments decline[180] and government spending for higher education decreases.[181] Advances in technology impose new costs on universities for expensive equipment and specialized personnel.[182] Individuals generally cannot amass the resources necessary for the production of technologically complex works. Therefore, if such works are to be produced, larger institutions, including universities, must be given the means to do so.[183] On the other hand, those professors with skills marketable outside the university may, as has already occurred in the fields of business, engineering and computer science,[184] leave the university for more lucrative positions in industry. Depriving such professors of supplemental income they might derive from their copyrightable works may contribute to this flight from the university. The issues to be balanced are complex and circumstances vary from university to university and among fields of work. Thus, ownership issues should be resolved, as the major research universities have begun to resolve them,[185] by contract, rather than by one monolithic rule of law.

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[178] *See, e.g.*, Lisa Gerrard, "When a University Faculty Member Develops Academic Software, Who Should Share in the Profits?," *Chron. Higher Educ.*, July 22, 1987, at A64 (noting conflict between academic tradition to share work freely and profit motive).

[179] *See, e.g.*, Turner, *supra* note 130, at A17 (most professors "happy to share their [higher-education software] with their colleagues"). An example is the case of a professor who left the California Institute of Technology in 1983 when the university, claiming it owned the copyright in a computer program he had developed, tried to prevent him from distributing it cheaply to others in his field. Gina Kolata, "Altech Torn by Dispute Over Software,"220 *Sci.* 932-33 (1983); "The Tempest Raging Over Profit-Minded Professors," *Bus. Wk.*, Nov. 7, 1983, at 86.

[180] For a discussion of the level of concern over declining enrollments, *see infra* note 182.

[181] *See, e.g.*, Karen Grassmuck, "Colleges Scramble for Money to Reduce Huge Maintenance Backlog, Estimated to Exceed $70-Billion; New Federal Help Seen Unlikely," Chron. Higher Educ., Oct. 10, 1990, at A1; Scott Jaschik, "States Spending $40.8-Billion on Colleges This Year; Growth Rate at a 30-Year Low," *Chron. Higher Educ.*, Oct. 24, 1990, at A1.

[182] *See, e.g.*, Constance Holden, "Paying for Research Instrumentation," 229 *Sci.* 1247, 1247 (1985) (reporting that funds are insufficient to meet rising cost of university research equipment); "Colleges Pleased that Growth of Computer Science Majors is Slowing," *Chron. Higher Educ.*, Jan. 8, 1986, at 28 (investment in computer technology overwhelms many institutions). In response to a survey conducted by the American Council on Education in 1989, the most frequently cited problems facing colleges and universities during the next five years were adequate finances (39%), maintaining enrollment (44%), and facilities and technology (42%). *See* "Leading Research Universities," *supra* note 122, at 24.

[183] Ownership of copyright has traditionally been considered an incentive to investment and creation. *See, e.g.*, *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984) (explaining that copyright monopoly "is intended to motivate the creative activity of authors"). Copyright revenues can also provide funds for further investment and, consequently, the means for further creation. Professor Reichman advocates university commercialization of faculty computer

How should such contracts, in the form of university copyright policies, look? Suggestions as to drafting techniques have been made in Part VI above. With respect to the substance of such policies, it is impossible to lay out a model plan which will be appropriate to every university and to every type of work. Upon consideration of the concerns discussed above, universities with sufficient endowments may find it expedient to allocate all copyrights to faculty creators, while other universities may decide to fund the production of expensive, technologically complex works with a share in the revenue produced by such works. Still other universities may find it advisable to allocate to themselves some interest in additional types of works based on either expense of production or profitability or both. What is essential is that the university allocate to itself only those aspects of the copyright in which it truly has an interest.

As discussed in Part IV, to the extent that the judge-made exception for professors from work-made-for-hire provisions ever existed, it continues to exist.[186] The question whether such an exception should exist is really the question whether, in the absence of any contract dealing with copyright ownership (which still appears to be the case at most colleges and universities),[187] it is preferable for all faculty works to belong to the university or to the professor. Since faculty members

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programs as a means of obtaining funding. Reichman, *supra* note 1, at 712-13, 722.

[184] Scott Heller, "Faculty-Salary Systems Are Strained as Colleges Try to Hire and Retain Professors in Competitive Fields," *Chron. Higher Educ.*, Feb. 26, 1986, at 1; Robert L. Jacobson, "Low Pay and Declining Working Conditions Seen Threatening Colleges' Teacher Supply," *Chron. Higher Educ.*, Mar. 27, 1985, at 21 (reporting that leaving university for industry is trend in business, engineering, computer science); see also Howard R. Bowen & Jack H. Schuster, *American Professors: A National Resource Imperiled* 170 (1986) (finding relative attractiveness of business, government and other fields of employment lures faculty away from academia); Debra E. Blum, "Job Market Begins Predicted Turnaround Survey Indicates, Many Colleges Find It Difficult to Fill Faculty Vacancies," *Chron. Higher Educ.*, July 25, 1990, at A1 (reporting difficulty in filling faculty positions in engineering, accounting).

[185] For a discussion of universities' adoption of copyright policies, *see supra* notes 120-23 and accompanying text.

[186] For an explanation of the widespread, mistaken belief that the 1976 Act abolished the professors' exception to the work-made-for-hire provisions, *see supra* notes 51-94 and accompanying text.

[187] For a discussion of the fact that most colleges and universities have not adopted copyright ownership policies, *see supra* note 121 and accompanying text.

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have traditionally assumed and generally still assume that they own the copyright in their works, the parties' expectations are protected by preserving the exception to the work-made-for-hire provisions of the Copyright Act.

VIII. CONCLUSION

The picture frequently presented of work-made-for-hire cases under the 1909 Act is misleading. The treatment of section 26 as creating a presumption rather than an absolute rule of copyright ownership in the employer played a smaller role in cases decided under the 1909 Act than prior commentators indicate. Further, there was no uniformity as to the form of evidence admissible in order to prove the existence of an agreement that the employee own the copyright. In particular, very few cases stated that evidence of custom in the industry could be used for this purpose.

In spite of a widely held, though unpopular, view that the Copyright Act of 1976 abolished the exception for professors from work-made-for-hire provisions, originating in two influential articles published in 1983 and 1985, the 1976 Act did not disturb the exception. To the extent that the exception ever existed, it continues to exist. However, a university copyright policy, if expressly incorporated by reference into a written employment contract, signed by both the professor and the university, appears to satisfy the requirements of sections 204(a) and 201(b), thereby effectively varying ownership results produced by the Copyright Act. The university copyright policies, if any, of seventy leading research universities, collected for this study, vary in terms of the works claimed for the university. Most of the copyright policies in this study make some effort to protect the interests of professors. Of these efforts, those few policies that subdivide the copyright in works claimed by the university in order to protect the professors' interest in controlling dissemination are most notable.

The exception for professors from the work-made-for-hire provisions should be preserved in order to protect the parties' expectations, ownership issues should be resolved by means of copyright policies, and the economic and academic interests in faculty works claimed by universities should be separated in order to protect the interests of professors.

APPENDIX A

Boston University
California Institute of Technology
Carnegie-Mellon University
Case Western Reserve University
Colorado State University
Columbia University
Cornell University
Duke University
Georgia Institute of Technology
Harvard University
Howard University
Indiana University at Bloomington
Johns Hopkins University
Louisiana State University
Massachusetts Institute of Technology
Michigan State University
New Mexico State University
New York University
North Carolina State University
Northwestern University
Ohio State University
Oregon State University
Pennsylvania State University
Princeton University
Purdue University
Rockefeller University
Rutgers University
Stanford University
State University of New York at Stony Brook
Texas A & M University
University of Arizona
University of California at Berkeley
University of California at Davis
University of California at Irvine
University of California at Los Angeles
University of California at San Diego
University of California at San Francisco
University of Chicago
University of Cincinnati
University of Colorado at Boulder
University of Connecticut
University of Florida
University of Georgia
University of Hawaii at Manoa
University of Illinois at Chicago
University of Illinois at Urbana-Champaign
University of Iowa
University of Kentucky
University of Maryland at College Park
University of Miami
University of Michigan at Ann Arbor
University of Minnesota-Twin Cities
University of Missouri at Columbia
University of New Mexico
University of North Carolina at Chapel Hill
University of Pennsylvania
University of Pittsburgh
University of Rochester
University of Southern California
University of Tennessee at Knoxville
University of Texas at Austin
University of Utah
University of Virginia
University of Washington
University of Wisconsin at Madison
Virginia Polytechnic Institute and State University
Vanderbilt University
Washington University
Yale University
Yeshiva University

AN ODYSSEY THROUGH COPYRIGHT'S VICARIOUS DEFENSES*

David Nimmer**

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It is rare that an issue of fundamental importance to copyright litigation goes wholly unaddressed. Yet that rare situation applies to the question of how courts should treat affirmative defenses raised by "related" defendants, i.e., those who are claimed not to have committed the infringement itself (the "primary" defendants) but who are nonetheless sought to be held responsible on the theories of vicarious liability or contributory infringement. Should those defenses inure to the benefit solely of the defendant who pleads them? Or should they be evaluated in the context of the primary claim of infringement, and thus radiate outward for the benefit of all defendants in the action? Although legions of cases confront such vicarious defenses, they do so in a wholly uncritical fashion – some adopt the former approach, others the latter; their unifying point is that they fail to articulate any basis for drawing the distinction. Neither do the scholarly commentaries treat this issue, notwithstanding that it would seem to be essential to sound progress in the field.

The case law's failure to address this disparity would give rise to no problems if only everyone's intuition invariably agreed as to which cases fit into which categories. Recently, however, I found myself for the first time ever disagreeing with how a particular court evaluated the affirmative defense of a related defendant. The case in question is *Religious Technology Center v. Netcom On-Line Communications Services, Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995), which rejected the primary defendant's fair use defense, and then when confronting the related defendant's summary judgment motion recalibrated the entire fair use equilibrium with respect to the circumstances of that new defendant. To evaluate the wisdom of that court's treatment of the vicarious fair use defense, it is necessary to take several gigantic strides backwards and to articulate a framework for how related defendants may assert their affirmative defenses, whether personally or globally.

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Happily, on a recent archaeological romp, I encountered some ancient judicial opinions in which resolution to these issues emerges full-blown from the judicial brow. I hereby present them unedited.

In the United States District Court for the
Outer District of the Peloponnesus

(Thermopylae Division)

ACHILLES,) Case No. CV 453-AZ-T
)
Plaintiff,) MEMORANDUM
) AND ORDER
v.)
)
ZENO et al.,)
)
Defendants.)
)
TEIRESIAS, District Judge.

This case presents a fascinating issue of first impression: When a copyright infringement action proceeds against related defendants who raise affirmative defenses, do those defenses relate to the primary defendant or to secondary liability? Determining that at times the former and at other times the latter situation should pertain, this opinion formulates a taxonomy of related defenses.

I.

Underlying Facts

Plaintiff Achilles claims to be author of the copyrighted work in question, an epic poem entitled *The Iliac*. Attached to his complaint is a certificate of copyright registration filed within five years of the poem's publication, duly listing Achilles as author. *See* 17 U.S.C. § 410 (1994).

Achilles complains of the unauthorized performance of his work at the Hippodrome Theater located in Halicarnassus. From the complaint, it appears that defendant Zeno performed a one-man show in that theater for one night only. Plaintiff's allegation is that Zeno set the copyrighted work to calliope music with a terpsichorean overlay; he entitled his performance with those sacred interpolations *The Sacroiliac*. Plaintiff contends that the unauthorized performance of *The Sacroiliac* constitutes infringement of his copyright in *The Iliac*.

II.
Jurisdiction and Venue

Challenging the jurisdiction of this court to adjudicate causes of action under Title 17 of the United States Code, defendants initially sought the dismissal of this action. In a previous order, the court denied that request:

> Locales as diverse as the Canal Zone and East Berlin have hosted United States district courts in the past. At present, they continue to sit in such far-flung locales as Samoa and the Northern Mariana Islands. And now the instant defendants contend that a court sitting in the very cradle of civilization is without power to adjudicate fundamental rights of culture precisely where culture itself originated? I don't think so!

Achilles v. Zeno, 1 F. Supp. 2222, 2223 (O.D. Plps. 533 B.C.E.) (confronting Peisistratean recension). The court also denied a request for change in venue, holding that it would be much more fun to try the case locally. *See id.*

An additional preliminary matter at this juncture is whether this court has subject matter jurisdiction over the performance that took place extraterritorially in Halicarnassus. I have elected to exercise jurisdiction over this cause of action, relying for precedent on *London Film Productions Ltd. v. Intercontinental Communications, Inc.*, 580 F. Supp. 47, 48-49 (S.D.N.Y. 1984) (exercising jurisdiction to adjudicate claims of violation of Chilean copyright law through performance in Chile, and citing for support, 3 Melville B. Nimmer, *Nimmer on Copyright*, § 17.03, at 17-22 to -24 (1982)). *But see ITSI T.V. Prods., Inc. v. California Auth. of Racing Fairs*, 785 F. Supp. 854, 866 (E.D. Cal. 1992) (discerning "no clear authority for exercising such jurisdiction" and refusing "to enter the bramble bush of ascertaining and applying foreign law without an urgent reason to do so").

Defendants contest the persuasiveness of the *London Film* case, citing David R. Toraya, "Note, Federal Jurisdiction Over Foreign Copyright Infringement Actions – An Unsolicited Reply to Professor Nimmer," 70 *Cornell L. Rev.* 1165 (1985). Putting aside the insolence of that unsolicited reply, I note that the scholarly article itself emanates from Cornell, which purports to be located in Ithaca. Having made an exhaustive tour of that island -- and also following the court's sua sponte examination of Odysseus, its ruler -- I have determined that it contains no institution of higher learning or otherwise named "Cornell." I thus conclude that the cited article must be part of some gigantic hoax.

III.
Dramatis Personae

As already stated, the allegation of copyright infringement is directed primarily against Zeno. Nonetheless, that primary infringer is not a party to this action. Zeno, paradoxically, evaded service of process through a clever ruse -- he informed the marshal attempting to serve him that such service was impossible, given that the marshal first would have to approach him halfway, then traverse the remaining half, and only thereafter the half that remained, kai ta loipa, and thus could never effectuate such service. Evidently, the marshal retreated in confusion to a monastery from which he has not yet emerged.

Although Zeno is not a party to the action, the allegations of the complaint continue to maintain that he alone committed copyright infringement. Nonetheless, various other individuals are alleged to have assisted in the infringing conduct. Achilles alleges various facts against those related defendants, maintaining that each is either vicariously liable for Zeno's performance or materially aided it in such a manner as to be liable as a contributory infringer. *See Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963) (discussing vicarious liability); *ITSI*, 785 F. Supp. at 861 (describing contributory infringement). In particular, those allegations run against the following defendants: Briseis, Chloe, Daphnis, Epicurus, Flavius, Gaia, Hector, Iphigenia, and Jocasta. Not named in the current complaint, but potentially subject to suit in an amended recension, are Klytemnestra, Laertes, Menelaus, Nestor, Oedipus, and Paris. As the various defenses of those related defendants are canvassed below, the role of each in the infringing conduct will be clarified as necessary for the resolution of this matter.

IV.

Vicarious Defenses

Before turning to each of the related defendants' allegations, it is worth emphasizing that the mere absence of Zeno from this litigation does not by itself accord any defense. It arises not infrequently that the primary infringer is unavailable for suit -- whether because judgment-proof, deceased, beyond the arm of the law, or otherwise. In such cases, judgment may still proceed on theories of vicarious liability and contributory infringement against those defendants over whom jurisdiction lies. *See* 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright*, § 12.04[A][3][a], at 12-85 to -88 (1997); see also Danjaq, *S.A. v. MGM/UA Communications, Co.*, 773 F. Supp. 194, 201 (C.D. Cal. 1991); cf. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 434 (1984) ("The two respondents in this case do not seek relief against the Betamax users who have allegedly infringed their copyrights.").

Nonetheless, there can be no secondary liability absent primary infringement. *See Sony*, 464 U.S. at 434 ("To prevail, they have the burden of proving that users of the Betamax have infringed their copyrights and that Sony should be held responsible for that infringement."). Therefore, regardless of whether Zeno is haled into court or not, to the extent that Zeno himself did not commit copyright infringement, this proceeding would end forthwith. *See Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc.*, 964 F.2d 965, 970 (9th Cir. 1992) (approving district court holding that because declaratory plaintiff neither directly infringed nor infringed by authorization upon defendant's copyright, plaintiff did not violate Copyright Act). In other words, to the extent that no primary infringement occurred, it is unnecessary to delve into the niceties of each other party's defenses; instead, the case as a whole could simply be dismissed. That consideration will reemerge at several crucial points in the succeeding analysis.

A. Personal Jurisdiction

The first related defendant against whom suit is brought is Briseis. The allegations of the complaint are cloudy. Evidently, Briseis was at one point plaintiff's beloved. However, when she called Achilles a "heel," he was mortally offended. At that point, he charged that she had transferred her affections to Zeno and thus that she was responsible for Zeno's acts of infringement.

Counsel for Briseis has appeared specially before this tribunal, claiming that personal jurisdiction over her is lacking. Towards that end, counsel has submitted a declaration showing that Briseis has never entered this jurisdiction; has never performed business affecting this jurisdiction; and, indeed, has never left her ancestral home of Lyrnessus. Plaintiff has failed to counter any of those allegations.

I therefore hold that Briseis lies outside of this court's jurisdiction. *See Roth v. Garcia Marquez*, 942 F.2d 617, 620-25 (9th Cir. 1991) (holding that limited personal jurisdiction over foreign defendant existed where defendant had entered forum [or "agora" as I would put it] and performed business as usual). On that basis, I grant her defense and dismiss her from the action.

The court's ruling on this issue has no impact on any of the other defendants. Simply stated, none of the remainder has specially appeared to contest personal jurisdiction; indeed, all appear to have conceded that such jurisdiction exists.

To recur to the issue that launched this opinion, it therefore appears that, in this first incarnation at least, the affirmative defense is personal -- it affords an excuse solely to the individual who raises it, neither exerting an impact on any other defendant, whether primary or related, nor affecting the course of the proceedings as a whole. Nonetheless, before drawing any generalizations from this solitary resolution, it is necessary to proceed onwards.

B. Private Performance

Chloe and Daphnis, according to the allegations of the complaint, commissioned Zeno to engage in the infringing performance at the Hippodrome Theater. In their answer, they concede that they did indeed induce Zeno to perform the subject work and, in fact, paid him for his services. However, they counter that they are lovers who rented out the cavernous Hippodrome for an intimate performance in which they constituted the only two members of the audience. On that basis, they allege that no "public" performance took place on the night in question. They therefore conclude that Achilles has not suffered trespass on any of his statutory rights. *See* 17 U.S.C. § 106(4) (1994) ("[T]he owner of copyright under this title has the exclusive rights . . . to perform the copyrighted work publicly . . . ." (emphasis added)).

Strictly speaking, Daphnis and Chloe are not interposing an affirmative defense. Instead, their contention is that an element of the plaintiff's prima facie case is lacking. I agree with the proposition that Achilles's case must fail to the extent that he cannot demonstrate a public performance of his work. Nonetheless, because contested issues of fact remain as to how many people -- apart from the paying audience of two -- were present at the Hippodrome Theater during the subject performance, I will reserve judgment on this matter pending further inquiry.

Nonetheless, this defense sheds light on our primary inquiry: To the extent that the instant related defendants can negate an essential element of the prima facie case, then the lawsuit as a whole crumbles. In other words, should this court accept as fact the proposition that no public performance occurred, then the result would be not simply to immunize Daphnis and Chloe from liability, but to resolve all matters adversely to Achilles. In the face of such a finding, he would be unable to establish any liability against Zeno as primary defendant or against any of the other related defendants.

Thus, the tally so far is one and one -- in the case of Briseis's jurisdictional pleading, the upshot would affect her and her alone; but in the case of the performance defense, it would affect all defendants. Nonetheless, given that Daphnis and Chloe did not assert an affirmative defense, strictly speaking, but instead negated an element of Achilles's own case, it still remains to determine whether identical considerations would govern in that distinct context. Thus, the prime issue in this case has not yet been squarely addressed.

C. Fair Use

Epicurus is the next related defendant. The complaint alleges that he played the calliope during the performance of *The Sacroiliac*. Though that musical performance does not implicate simpliciter Achilles's literary copyright in *The Iliac*, the complaint alleges that Epicurus's participation was integral to the infringing performance at the Hippodrome Theater, and thus that he is vicariously liable.

Epicurus interposes a defense of fair use. He claims that his goal in life is to seek personal happiness and that the act of playing the calliope contributed to his own inner sense of well-being. Given that he did not derive any profit from his musical renditions on the night in question, he claims that any infringement for which he may be responsible falls clearly on the safe side of the fair use doctrine. *See Sony*, 464 U.S. at 442 (upholding noncommercial use as fair use).

Fair use is typically the most slippery defense in the entire law of copyright. *See Time Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130, 144 (S.D.N.Y. 1968) (stating that "doctrine is entirely equitable and is so flexible as virtually to defy definition"). For that reason, the court will return to an analysis of its implications after considering the balance of the defenses raised.

D. Diplomatic Immunity

The next defendant named in the complaint is Flavius, former Roman Ambassador to this country. The complaint alleges that, with full knowledge of the infringing performance to follow, Flavius smuggled the Mixo-Lydian music -- allegedly scored in Calabria--into this country in his diplomatic pouch. Flavius contends that service of process on him is null and void, given the full and complete diplomatic immunity that our laws accord him. In this particular, Flavius is absolutely correct. He is therefore dismissed forthwith from this action. *See General Elec. Capital Corp. v. Grossman*, 991 F.2d 1376, 1381-82 (8th Cir. 1993) (holding that diplomatic immunity shields entity even when it has lost its diplomatic status prior to filing of suit).

Of course, such diplomatic immunity as Flavius enjoys exerts no impact whatsoever on the status of any other defendant in this case. For that reason, Flavius's defense is as personal to him as was Briseis's to her. But it is still premature to determine whether this resolution portends a momentum in favor of viewing affirmative defenses in copyright infringement litigation as personal to the defendant urging them.

E. Eleventh Amendment Immunity

The complaint alleges that Gaia participated in the infringement based on an elaborate conspiracy to infringe copyright. See 3 Nimmer & Nimmer, *supra*, § 12.04[A][3][c], at 12-96 (noting possibility that conspiracy to infringe may be cognizable claim). Without delving into the grand scheme out of which this alleged conspiracy is constructed, suffice it to say that Gaia has advanced a dispositive defense under the Eleventh Amendment.

Gaia is a federation loosely composed of sovereign entities. Under the Eleventh Amendment to the United States Constitution, federal courts lack power to adjudicate copyright cases against individual states. *See id.* § 12.01[E][2] [[b], at 12-40 to -41. For current purposes, the parties concede that Gaia stands in the shoes of those individual states.

Achilles laments that such a ruling immunizes the several states from any act of copyright infringement -- state universities, plaintiff contends, could capitalize on such a ruling to run copy mills, to engage in unlicensed performances, to pirate software on a massive basis, etc. I find plaintiff's parade of horribles to be no exaggeration. *See* H. Stephen Harris, Jr. & Michael P. Kenny, "Eleventh Amendment Jurisprudence After Atascadero: The Coming Clash with Antitrust, Copyright, and Other Causes of Action Over Which the Federal Courts Have Exclusive Jurisdiction," 37 *Emory L.J.* 645, 704-05 (1988) (arguing that Court's Eleventh Amendment jurisprudence poses "ominous" threat to public policy, in part because it will "allow states to violate the copyright laws with impunity"). In fact, Justices Stevens and Souter of the United States Supreme Court have already noted this danger. Unfortunately, they did so in their capacity as dissenters. *See Seminole Tribe of Fla. v. Florida*, 116 S. Ct. 1114, 1134 (1996) (Stevens, J., dissenting) (lamenting that majority opinion "prevents Congress from providing a federal forum for a broad range of actions against states, [including] those sounding in copyright and patent law"); *id.* at 1173 (Souter, J., dissenting) (criticizing majority for discounting concern about "the opportunity of [the Nation's] citizens to enforce federal rights in a way that Congress provides").

Until such time as the full Supreme Court wakes up to the damage wrought by its recent jurisprudence in the sphere of the Eleventh Amendment, I have no choice but to follow its rulings. Accordingly, Gaia's Eleventh Amendment defense is granted, and it is dismissed from the case. *See Chavez v. Arte Publico Press*, 59 F.3d 539 (5th Cir. 1995).

Although the defenses of diplomatic immunity and Eleventh Amendment immunity stem from different doctrinal roots, their upshot is the same: In both instances, the subject defendant is released from liability. In the case of Gaia, no less than in that of Flavius, the defense is personal. Accordingly, this defense exerts no impact on other defendants.

A trend would thus seem to be building that vicarious defenses affect only the defendant who urges them, rather than others who may be named in the case. However, more examination is still in order before drawing any firm conclusion.

F. Ineligible Nationability

Defendant Hector shouts that Achilles has no standing to assert copyright ownership in *The Iliac*. Notwithstanding the presumption of validity conveyed by the copyright certificate listing Achilles as author, Hector maintains that Achilles undertook his composition activities within the scope of his employment duties.

In particular, Rhododactylos, Inc. (RDI), the loan-out corporation for Hector's father, Priam, allegedly hired Achilles. RDI is organized under the laws of Troy. Hector thus concludes that RDI constitutes the author of the work under the work-for-hire doctrine. *See* 17 U.S.C. § 201(b) (1994) (stating that employer is considered author when work made for hire); *see also* 1 Nimmer & Nimmer, *supra*, § 5.03[A], at 5-12 to -14.1 (explaining consequences of determination that work was made for hire). Inasmuch as the United States lacks any copyright relations with Troy, published works by its nationals are ineligible for United States copyright protection. *See* 9 Nimmer & Nimmer, *supra*, app. 20 (listing other independent nations and summarizing United States's copyright relations with each). Therefore, concludes Hector, Achilles lacks any United States copyright ownership and the entire case must be dismissed.

Hector has advanced a legally cognizable defense by pointing to the citizenship of RDI. Notwithstanding Senator Hatch's fervent hope, fictively uttered in Ithaca, that United States accession to the Berne Convention would "provid[e] substantial copyright protection to authors and artists of all nations," Orrin G. Hatch, "Better Late Than Never: Implementation of the 1886 Berne Convention," 22 *Cornell Int'l L.J.* 171, 180 (1989) (emphasis added), the millennium of universal copyright protection has not yet dawned. Instead, the complaint collapses into a Trojan Horse to the extent that RDI is vested with copyright ownership.

Achilles responds by citing the registration certificate appended to his complaint, which lists himself as author and his citizenship as American. Given the filing of that registration certificate within five years of first publication of the work, it constitutes prima facie evidence of the claims advanced therein. *See* 17 U.S.C. § 410(c) (1994) (stating that "the certificate of a registration made before or within five years after first publication of a work shall constitute prima facie evidence of the validity of the copyright" in "any judicial proceedings"). Achilles thereupon urges the court not even to entertain Hector's defense.

I reject Achilles's position. The prima facie presumption of the certificate simply orders the proof in the case; absent any showing by the defense, Achilles's eligibility for United States copyright protection would therefore be presumed. Nonetheless, in this case Hector specifically controverts the allegations of the certificate. Given that the certificate creates merely a prima facie presumption, rather than an irrebuttable presumption, Hector's proof is perfectly cognizable. *See Carol Barnhart Inc. v. Economy Cover Corp.*, 594 F. Supp. 364, 367 (E.D.N.Y. 1984) (holding that certificates of registration are prima facie, rebuttable evidence of copyrightability), aff'd, 773 F.2d 411, 414 (2d Cir. 1985); see also 3 Nimmer & Nimmer, *supra*, § 12.11[A], at 12-160 (stating that certificate creates prima facie presumption which court is free to reexamine and rebut). Accordingly, the burden now shifts back to Achilles to negate Hector's sworn statements, which appear on their face to be admissible and in good order. The court will hold an evidentiary hearing on the question of national eligibility.

To the extent that the court concludes that Hector is correct and that RDI is the constructive author of *The Iliac*, then the defense will be granted. Because, under that scenario, the entire action would be dismissed, Hector's defense -- like Daphnis' and Chloe's -- would appear to be general rather than specific.

In the defenses confronted previously, the tally indicated that vicarious defenses inure to the benefit solely of the affected defendant, rather than generally. The exception was the defense urged by Daphnis and Chloe -- but, as discussed above, that defense was in fact not an affirmative defense.

In the case of Hector, the burden of proof lies on him, as is the case with a true affirmative defense. Nonetheless, it would appear that Hector's defense based on national origin is not, strictly speaking, an affirmative defense -- notwithstanding that the burden of proving it lies on him. Instead, Hector, like Daphnis and Chloe, has attempted to negate one element of the plaintiff's prima facie case. Thus, we still have yet to confront a true affirmative defense that would affect any defendant other than the individual urging it. Perhaps such a defense is indeed as mythical as the unicorn.

G. Forfeiture

Defendant Iphigenia ceaselessly proclaims "sacrifice." As best the court can unravel her confused asseverations, the claim of sacrifice, translated to the facts of the instant dispute, appears to amount to a claim of forfeiture of copyright protection.

In particular, Iphigenia claims that first publication of *The Iliac* occurred approximately 2,600 years prior to the adoption of the Copyright Act of 1976. On that basis, Iphigenia maintains that the maximum term of copyright subsistence for the work has long since expired. *See* 17 U.S.C. § 304 (1994) (setting duration of copyright protection at seventy-five years for works published before 1978).

Plaintiff rejects that claim based on the Ninth Circuit's recent holding in *Twin Books Corp. v. Walt Disney Co.*, 83 F.3d 1162 (9th Cir. 1996). In that case, a panel of the Ninth Circuit held that publication abroad without copyright notice does not begin the United States term running. Given that publication of *The Iliac* over the last three millennia has not been accompanied by the formality, "(c) 650 B.C.E. by Achilles," plaintiff maintains that the copyright term did not begin to run and therefore that this was a work protected by common law copyright, which will subsist until December 31, 2002. *See* 17 U.S.C. § 303 (1976) (stating that all hitherto common law copyrights have expiration date of December 31, 2002 effective January 1, 1978).

Iphigenia replies that such a construction is patently absurd. This court wholeheartedly agrees. *See* 1 Nimmer & Nimmer, *supra*, § 4.01[C][1], at 4-7 (stating that publication abroad under 1909 Act ended common law copyright and triggered statutory rights). Indeed, one of the great chestnuts in the annals of United States copyright history, dealing with copyright protection for Uncle Tom's Cabin, contains the following language: "By the publication of Mrs. Stowe's book, the creations of the genius and imagination of the author have become as much public property as those of Homer or Cervantes. . . . All her conceptions and inventions may be used and abused by imitators, play -- rights and poetasters." *Stowe v. Thomas*, 23 F. Cas. 201, 208 (C.C.E.D. Pa. 1853) (No.13,514). Nonetheless, no matter how fervently this court accepts the rectitude of Iphigenia's protest, it is still bound under the Fogg-Lowry Peloponnesian/Hollywood Consolidation Act, 20 Cent. Fox 1955, to follow Ninth Circuit law even when that law is absurd. For that reason, Iphigenia's first claim of sacrifice is rejected.

Iphigenia's second basis for claiming sacrifice is through copyright forfeiture based on publication without the requisite copyright notice. Iphigenia has tendered to the court a version of *The Iliac* published in Athens, Georgia [sic!], in 1950 without any copyright notice. On that basis, Iphigenia claims that copyright for the work was forfeit. Nothing in *Twin Books* requires a contrary construction. On that basis, the work would seem to reside in the United States public domain. *See* 2 Nimmer & Nimmer, *supra*, § 7.13[B], at 7-119 to -120.

Achilles counters that the 1950 publication was unauthorized. He claims that it therefore failed to satisfy the prerequisites of "publication" under the Copyright Act. To the extent that his assertions are credited, he is correct. *See id.* § 7.03, at 7-23 to -26.4.

Thus, a question of fact remains for this court to resolve whether Achilles consented to the 1950 United States publication. To the extent that he did not, then Iphigenia's defense will be denied.

By contrast, to the extent that the evidence shows that the 1950 unnoticed publication occurred with the consent of Achilles, then Iphigenia's affirmative defense will prevail. Under that scenario, she would have proven that the copyrighted work has lapsed into the public domain. Moreover, given that Achilles is an American citizen, those works would not be eligible for copyright restoration under the Uruguay Round Agreements Act. *See* 17 U.S.C. § 104A (1994); see also 3 Nimmer & Nimmer, *supra*, § 9A.04, at 9A-25.

When contrasted with resolution of all the various defenses previously confronted, the upshot of Iphigenia's defense is revolutionary -- to the extent that her affirmative defense is credited, the result is to defeat the cause of action entirely. In this particular, therefore, Iphigenia advances the mythical defense that had eluded all her predecessors: An affirmative defense that, if accepted, would inure to the benefit of all defendants in the action.

H. Substantial Similarity

The final related defendant is Jocasta. Maintaining that she has a special genius for sniffing out progeny, Jocasta maintains that *The Sacroiliac* is not in fact the child of *The Iliac*. Based on a sophisticated analysis and comparison of the two works, she maintains that substantial similarity is lacking.

Jocasta is on solid ground in urging lack of substantial similarity as a cognizable defense. Indeed, the mere fact that there is undeniably some similarity between *The Sacroiliac* and *The Iliac* does not itself vouchsafe that the threshold for infringement has been crossed. In one of the earliest cases in United States copyright jurisprudence, no less an authority than Justice Story noted that "[t]here are many imitations of Homer in the Aeneid; but no one would say that the one was a copy from the other." *Emerson v. Davis*, 8 F. Cas. 615, 619 (C.C.D. Mass. 1845) (No. 4,436).

At this early stage in the proceedings, the court is not prepared to rule on either the admissibility of the critical analysis underlying Jocasta's submission or upon the merits of the defense of substantial similarity. *See* 4 Nimmer & Nimmer, *supra*, § 13.03[E], at 13-27.

However, particularly in light of the disposition of Iphigenia's defense, the court wishes to add a word about the effect should Jocasta's defense be accepted: If, indeed, substantial similarity is lacking, then Jocasta would have negated an essential element of the plaintiff's prima facie case. On that basis, she would have scored a decisive blow on behalf of all defendants, not merely herself.

* * * Before reverting to the tangled brier of fair use, it is worth completing the tally. Briseis, Flavius, and Gaia asserted defenses that immunized themselves personally and no one else. Daphnis and Chloe, Hector, Iphigenia, and Jocasta each advanced defenses that, if accepted, would immunize all defendants in the case.

There is a fundamental difference between these two types of defenses. To illustrate, even if every defendant named in the complaint enjoyed the same personal jurisdiction defense that Briseis advanced, nonetheless the granting of her defense would be conditional, in the sense that it would not absolutely end the copyright infringement claim. For Achilles, even after suffering the dismissal of every defendant named in the complaint based on personal jurisdiction, could still amend to bring in new defendants Klytemnestra, Laertes, and Menelaus, who may not be able to advance the same defense based on lack of personal jurisdiction.

By contrast, the affirmative defense exemplified by Iphigenia is unambiguously universal. Once this court accepts the affirmative defense that copyright protection for plaintiff's work has been forfeited due to formal defects, nothing remains in the case to litigate. Even were Achilles to amend to bring in all manner of new defendants, it would avail him naught. For Iphigenia's defense proves fatal to the case as a whole.

V

Fair Use Redux

Fortified by resolution of the foregoing matters, we now revert to fair use, the most difficult issue in the case. Based on the defenses constructed above, it would appear undeniable that defenses to infringement ranging from absence of substantial similarity to forfeiture through lack of copyright notice are gauged based on the infringing action as a whole, not with reference to the particular defendant who urges them. It would be more than passing strange indeed to decouple fair use -- the paradigmatic affirmative defense -- from that methodology and to gauge it as if it were analogous to a claim of sovereign immunity or lack of jurisdiction over the person of the defendant.

Taking a step backwards to obtain an Olympian overview, in most cases not involving verbatim similarity, the primary defendant interposes two classic defenses: (1) lack of substantial similarity, thus negating an element of the plaintiff's prima facie case, and (2) fair use, thus affirmatively defeating even any prima facie case that is established. Courts typically consider those inquiries in tandem. If the plaintiff fails to prevail on either, then no copyright infringement existed. At that point, the lawsuit ends, and there is no need to investigate any further issues that the related defendants could interpose.

Does this framework work in practice as well as in theory? Analysis begins with a case in which, contrary to the construction urged above, the court treated the seemingly general affirmative defense of fair use as one of specific application.

A. Netcom

In *Religious Technology Center v. Netcom On-Line Communications Services Inc.*, 923 F. Supp. 1231 (N.D. Cal. 1995), Judge Whyte issued a panoramic opinion in a case of cutting-edge application. Plaintiff owned various "holy scriptures" belonging to the Church of Scientology. One defendant was Dennis Erlich, a former Scientology minister "turned vocal critic of the church" whose pulpit is now the Usenet newsgroup alt.religion.scientology. *Id.* at 1238. But in addition to Erlich, plaintiffs also sued Thomas Klemesrud, operator of the BBS that serviced Erlich, as well as Netcom, one of the country's largest Internet service providers, which provided the facilities linking Klemesrud's BBS to the Internet. The court weighed at length Erlich's fair use defense, concluding ultimately that plaintiffs had demonstrated a likelihood of success on their claims that Erlich's behavior was not immunized under the doctrine of fair use. *See id.* at 1242-50.

Some months later, Judge Whyte issued another opinion in this cutting- edge case. *See Religious Tech. Ctr. v. Netcom On-Line Communications Servs. Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995). This later opinion (albeit codified in an earlier volume of the Federal Supplement) addresses the defenses of defendant Netcom. The court concluded first that Netcom was not directly liable for copyright infringement. *See id.* at 1367-73. Having exonerated Netcom on that basis, the court then turned to the question whether Netcom should be held as a related defendant to have committed contributory infringement or to be vicariously liable. *See id.* at 1373-81. In this context, the court considered Netcom's fair use defense. Its conclusion on this score is particularly pertinent:

> The proper focus here is on whether Netcom's actions qualify as fair use, not on whether Erlich himself engaged in fair use; the court has already found that Erlich was not likely entitled to his own fair use defense, as his postings contained large portions of plaintiffs' published and unpublished works quoted verbatim with little added commentary.

Id. at 1378. In considering the various fair use factors and balancing them equitably, the court ultimately concluded that a question of fact remained whether a valid fair use defense existed on the facts presented to it. *See id.* at 1380.

B. Fleecing the Gold

With all due deference to Judge Whyte's pair of masterful opinions in *Netcom*, "even 'Homer sometimes sleeps'." *Universal City Studios, Inc. v. Nintendo Co.*, 615 F. Supp. 838, 846 (S.D.N.Y. 1985) (quoting Lord Byron, Don Juan 184 (T.G. Steffan et al. eds., Yale Univ. Press 1988) (1821)). At the outset, it is worth noting that the excerpt just quoted does not cite any authority whatsoever for the proposition that the proper focus lies on Netcom's activities rather than on Erlich's. Instead, that conclusion emerges as an unadorned ipse dixit.

Once the court concluded that Erlich was likely to fail on his fair use defense, its focus on *Netcom* should have pretermitted any reconsideration of the fair use defense. Instead, the inquiry should have been limited to whether the elements of vicarious liability were likely established against Netcom. In other words, the questions should have been: Did Netcom have the ability to supervise and direct Erlich's activities, and did it have an obvious and direct financial interest in the exploitation of the Scientology scriptures? *See* 3 Nimmer & Nimmer, *supra*, § 12.04[A][1], at 12-67 (noting that supervisory capacity and direct financial interests are prerequisites to finding of vicarious liability). Perhaps many of the circumstances that the court cited in the fair use analysis would also have been relevant to an illumination of those factors. Nonetheless, with genuine respect, it appears that the actual focus in that decision was misdirected in this one particular.

A rich literature exists on whether bulletin board operators should be liable for the infringements of others. *See, e.g.*, Niva Elkin-Koren, "Copyright Law and Social Dialogue on the Information Superhighway: The Case Against Copyright Liability of Bulletin Board Operators," 13 *Cardozo Arts & Ent. L.J.* 345, 348 (1995) ("[I]mposing liability on BBS operators hinders rather than promotes the potential of digital technology as a genuinely democratic medium."); David Nimmer, "Brains and Other Paraphernalia of the Digital Age," 10 *Harv. J.L. & Tech.* 1, 33-37 (1996) (counseling restraint in adopting new rules in light of uncertain nature of future technological progress); R. Carter Kirkwood, "Comment, When Should Computer Owners Be Liable for Copyright Infringement by Users?", 64 *U. Chi. L. Rev.* 709, 727 (1997) (arguing that bulletin board operators should be subject to vicarious and contributory infringement rather than direct infringement). It would be ultra vires to rehearse that debate here.

What is relevant, instead, are the terms of the discussion. To the extent that financial interest is lacking, as noted above, vicarious liability is avoided. Thus, *Netcom*'s discussion of the fourth fair use factor -- effect of Erlich's conduct on the plaintiffs' potential market -- translated back to the appropriate domain, could indeed illuminate the propriety of holding defendant Netcom vicariously liable.

By the same token, an element of contributory infringement is that the related defendant must "materially contribute[ ] to the infringing conduct of another." *Gershwin Publ'g Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971) (footnote omitted). Again, the court's discussion of the third fair use factor -- substantiality of Erlich's appropriation--likewise translated back to the appropriate domain, could conceivably similarly illuminate the propriety of holding Netcom a contributory infringer.

In sum, the important conclusions that the *Netcom* court drew may all remain pertinent to the appropriate disposition of the case. But it is essential to channel each into its appropriate legal category, rather than conflating its significance.

C. Postulating a "Rule"

If indeed my learned colleague was in error in the modality of determining the fair use vicarious defense in *Netcom*, then the question remains as to what overarching structure should pertain. Abstracting from the defenses confronted above, the principle emerges that to the extent a defense "relates to" the circumstances of the infringement, it is general; by contrast, to the extent that it "relates to" the circumstances of the defendant, it is specific. That rough-and-ready "rule" accounts for the disposition of all the defenses urged by each related defendant from Briseis to Jocasta.

1. Authority and "Proof"

Ideally, this court would like to cite the statute itself for the rectitude of that approach, instead of abstracting it from the various defenses confronted above. But the statute itself contains literally only one word creating liability for related defendants, and that solitary word cannot illuminate the present inquiry. *See* 17 U.S.C. § 106 (1994) ("[T]he owner of copyright under this title has the exclusive rights to do and to authorize any [[specified activity] . . . ." (emphasis added)).

As a fall-back position, resort could be had to the intent of Congress on this score as contained in the legislative history. *See generally* Jessica D. Litman, "Copyright, Compromise, and Legislative History," 72 *Cornell L. Rev.* 857 (1987) (examining "unusual" legislative history of 1976 Copyright Act). But the court's review of the House and Senate Reports for the current Copyright Act reveals no intent, nor even any awareness, of how to calibrate the affirmative defenses of related defendants.

Accordingly, the court has proceeded on the basis of pure reason, "triangulating" application of the fair use affirmative defense from more secure points of reference on which there can be no reasonable dispute. That exercise has revealed that fair use is a general defense to be gauged against the circumstances of the primary infringer rather than the particular defendant who urges it.

The "proof" that this court's approach, rather than that followed in *Netcom*, is correct comes from the granddaddy case implicating related defendants for copyright infringement. In the very case that Epicurus cites, *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), the Supreme Court gauged the fair use of the contested Betamax recorder against the circumstances of the primary infringers, not the related defendant who happened to be present in court. To be even more explicit, notwithstanding that the plaintiff motion picture studios in that case filed suit against Sony Corporation as contributory infringer rather than against the entire American public for being primary infringers, both majority and dissenters gauged the four fair use factors vis-a-vis the public's conduct, not Sony's.

Thus, all nine Justices followed the procedure outlined here, rather than the novel one employed by Netcom. Although no case until *Netcom* explicitly considered a claim that the fair use defense should be judged against the circumstancesof the related defendant rather than the primary infringer, a unanimous United States Supreme Court constitutes adequate authority for these purposes. Moreover, such sparse references as the literature contains support this method of proceeding. *See* Elkin-Koren, *supra*, at 367-68 (urging use of Sony framework before *Netcom* case handed down).

2. Analysis at Bar

As translated to the instant facts, therefore, Epicurus should be allowed to raise a fair use defense – relating solely to Zeno's conduct. This court therefore should weigh each of the statutory fair use factors as to Zeno's subject performance of *The Sacroiliac* at the Hippodrome Theater. To the extent that the fair use defense prevails, then Epicurus will have scored a victory for all of his confreres. Conversely, to the extent that Zeno's fair use defense fails, then there remains nothing in this particular affirmative defense for Epicurus to plead personally.

Of course, Epicurus may negate his own vicarious liability by proving that essential elements did not attend his calliope performance. To the extent that, as seems likely, he lacked a direct or even indirect financial interest in Zeno's purported infringement, then he will have succeeded in exonerating himself from vicarious liability. *See* 3 Nimmer & Nimmer, *supra*, § 12.04[A][1], at 12-67 ("[D]efendant must have 'an obvious and direct financial interest in the exploitation of copyrighted materials'." (quoting *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963))). But that victory would be personal and wholly unrelated to the fair use defense that he initially wished to plead.

3. Shadow Dancing in Plato's Cave

A separate way to appreciate how to apply affirmative defenses emerges out of the thought experiment of transposing the affirmative defense from the related defendant to the primary defendant. Thus, imagine that instead of Briseis alleging lack of personal jurisdiction, Zeno himself had done so. Even if that defense were accepted, the absence of Zeno as a defendant over whom the court enjoys jurisdiction, as was previously noted, would not exert any impact on the other defendants in the action. By parallel reasoning, if Zeno, instead of Flavius, enjoyed diplomatic immunity, the balance of the defendants would likewise be unaffected. *See* 3 Nimmer & Nimmer, *supra*, § 12.04[A][3][a], at 12- 85 (stating related defendant may be found liable even when direct infringer not subject to service of process).

On the other side of the ledger, if Zeno instead of Jocasta were to demonstrate lack of substantial similarity, the case would end against all defendants. Likewise, if Zeno were to prevail on Iphigenia's defense of lack of valid copyright notice upon publication, then the case would similarly cease against all defendants.

Turning to the key question of fair use, it would seem beyond peradventure that to the extent Zeno prevailed on that affirmative defense, the case would end against all defendants. For the defense would vouchsafe the permissibility of Zeno's conduct and would negate the existence of any infringement. Absent primary infringement, the question of liability of related defendants does not even arise. *See id.* at 12-85 to12-88 (arguing that third party liability should exist only when direct liability is present).

In light of the above considerations, it would seem that there is no basis to evaluate fair use with respect to the particular facts of Epicurus's conduct. Just as Zeno's hypothetical failure to prevail on the grounds of absence of substantial similarity would doom Jocasta's substantial similarity defense, so Zeno's failure on the fair use affirmative defense leaves nothing left over for Epicurus to urge. This formulation provides yet another avenue to discredit Netcom's allowance of Netcom to assert a fair use defense even after Erlich's assertion of the same defense had previously failed.

VI

Additional Defendants

Achilles has made a motion to add new defendants into the complaint: Klytemnestra, Laertes, Menelaus, Nestor, Oedipus, and Paris. Those defendants have resisted Achilles's motion to amend on the basis that they enjoy dispositive affirmative defenses. Specifically, those defendants justify their conduct under the doctrines of the statute of limitations, laches, estoppel, and abandonment/waiver.

I find it unnecessary to rule on the motion to amend at this juncture. As previously noted, some of the defenses offered by the existing parties may prove dispositive of the entire case. Thus, to the extent that the subject performance at the Hippodrome Theater is ruled to have been private rather than public, then not only will Chloe and Daphnis have prevailed on their particular defense, but the case as a whole will end. Under that scenario, it would be unnecessary to rule any further as to Oedipus or Paris, for example. Accordingly, the court reserves judgment on the motion to amend.

Conclusion

Confusion is hereby dispelled concerning which related defendants can assert what vicarious defenses: When the defense relates to the action as a whole, it should result in dismissal of the entire action; by contrast, when it relates solely to the circumstances of an individual defendant, only that particular individual can benefit by the defense prevailing. All persons in receipt of this exposition are hereby admonished not to conflate these categories ever again.

It is so ordered.

AT THE INFERNAL COURT OF APPEALS IN THE STYX

ACHILLES,)
)
Plaintiff,)
)
v.)
)
ZENO et al.,)
)
Defendants.)
)

Before HADES and NYX, Circuit Judges, and CERBERUS, District Judge (sitting by designation).

PER CURIAM:

The parties have filed cross-appeals from the trial court's disposition of various affirmative defenses. Because the opinion below simply categorized various defenses without reaching a final disposition as to any of the parties, we consider it to be a nonappealable order. Indeed, it is almost akin to an advisory opinion. Cf. *Lotus Dev. Corp. v. Borland Int'l, Inc.*, 788 F. Supp. 78, 799 F. Supp. 203 (D. Mass. 1992) (setting forth lengthy opinions detailing what proper scope of jury instructions might be were case presented to jury, notwithstanding that case was later tried before bench), *rev'd*, 49 F.3d 807 (1st Cir. 1995), *aff'd* by an equally divided court, 116 S. Ct. 804 (1996). For that reason, we remand proceedings to the district court for trial and entry of a final judgment from which appeal may be duly taken.

Remanded.

CERBERUS, District Judge, concurring in part:

Though my colleagues have been hell-bent to dispose of this case as quickly as possible, I believe that it presents puzzles worthy of greater attention. Whilst my learned brethren accuse me of undue doggedness in ferreting out the issues that this fascinating case presents, I believe that judicial economy is served by outlining the relevant parameters at this juncture, before the parties and court below expend further efforts in developing a record under a potentially flawed standard. Too, I find the approach taken below overly dogmatic. Nonetheless, I agree in large part with the framework articulated by the district court.

The particular defendants against whom Achilles filed suit represent the easy class. To a person, each raises an affirmative defense that is straightforward and unambiguous. Indeed, one gets the sense that Achilles's entire case was constructed through the machinations of the gods on high for their own amusement, only to confound us poor mortals just as we thought we had grasped the subtleties of the issues implicated.

The sole exception to that ease of categorization is the fair use affirmative defense raised by Epicurus. The district court resolved that issue in a logical and coherent fashion. Nonetheless, with all due deference, Judge Teiresias was blind to the nuances latent in some of the more esoteric copyright defenses.

Subtle defenses happen to arise precisely as to those defendants who have not yet been brought into this action. Those defenses severely test the easy distinctions offered by the opinion below. Although I believe that that framework ultimately passes the test, the strain of the exercise should not be underestimated.

I am aware of no court or commentator who would dispute that personal jurisdiction, diplomatic immunity, and sovereign immunity under the Eleventh Amendment are all specific defenses. Thus, it is only logical to conclude that Briseis, Flavius, and Gaia are fighting battles solely on behalf of their own respective interests. I am equally unaware of any authority for the proposition that a case could continue to trial even after the infringement at issue has been demonstrated to be based on faulty copyright ownership or absence of infringement. For that reason as well, Chloe and Daphnis, Hector, Iphigenia, and Jocasta are defending themselves by attempting to slay Achilles's entire case, with the result that he would no longer be able to proceed against anyone. Those matters appear to me uncontroversial, and for that reason I concur completely with Judge Teiresias in those particulars.

Nonetheless, among all of those defenses, the only instance of a general affirmative defense was Iphigenia's claim of copyright forfeiture due to improper copyright notice. I feel queasy about plotting not only a line, but a whole plane, from that single fixed point.

Apart from the defenses confronted in the court below, a host of defenses remain that do not fall as unambiguously onto one side or the other. Those are the defenses raised by the parties that Achilles currently wishes to implead into the case. To obtain a more rounded understanding of how vicarious defenses work in the copyright arena, it is worth pondering each of those additional defenses.

The court below articulated the rule that a general defense "relates to" the circumstances of the infringement, whereas a specific defense "relates to" the circumstances of the defendant who pleads it. Although that formulation may adequately account for named defendants Briseis to Jocasta, it is not always so clearly applied. For the posited rule is itself subject to permeable interpretation. It is no coincidence that fair use is precisely the arena in which divergent results have emerged. For fair use is geared at negating the circumstances of infringement and to that extent is general; yet simultaneously, fair use concerns itself with the conduct of the particular defendant and is to that extent specific. *See* 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright*, § 13.05[A][1][d], at 13-165 to -168 (1997) (discussing impact of character of defendant's conduct in fair use adjudication). Thus, more discernment is in order before casting these distinctions in concrete.

* * *

To test the applicability of this proposed rule, it is helpful to confront some other defenses that may likewise cross the line from general to specific: Statute of limitations and its close cousin, laches.

I
Statute of Limitations

Achilles has indicated a desire to amend the complaint to bring in additional defendants Nestor and Oedipus. Both oppose being included in this action on the basis of a statute of limitations defense. In particular, Oedipus claims that he has been nursing a swollen foot (and other more painful disfigurements) for the last three years and thus has not facilitated any infringing conduct during that time. Nestor claims that he is so old that he cannot remember anything that has happened in the last twenty years, so that Zeno's performance must have taken place earlier.

The factual circumstances underlying the allegations against Nestor and Oedipus are crucial to resolution of the issues posed here. Oedipus concedes that Zeno's performance of *The Sacroiliac* at the Hippodrome Theater occurred well within the three-year period of the statute of limitations. *See* 17 U.S.C. § 507(b) (1994) (limiting maintenance of civil action to within three years after claim accrued). On that basis, this cause of action as a whole may proceed. The allegations against Oedipus are that five years ago, as a noted patron of the arts, he actively financed, encouraged, and induced Zeno to develop the infringing performance, then contemplated for an upcoming "Honor Among Thebes" celebration. In the event, Oedipus suffered some unfortunate reversals, the celebration never occurred, and as previously noted, Oedipus has been living in seclusion for the past three years during the statute of limitations period.

The question thus arises how to evaluate Oedipus's defense. It is useful to contrast his situation with Nestor's defense -- that Zeno's performance itself took place over twenty years ago, long before the bar of the three-year statute. As a factual matter, Nestor thus controverts the allegations of the complaint, which co-defendant Oedipus by contrast concedes. Nonetheless, pending development of a factual record below, it is impossible to determine who is correct.

Nestor's statute of limitations defense, if accepted, renders the infringement as a whole nonactionable. Logic dictates that Nestor could not have acted during the past three years to aid, support, encourage, or finance an infringement which itself had concluded many years earlier. On that basis, Nestor's statute of limitations defense, if accepted, inures to the benefit of all and thus qualifies as a general defense within the framework articulated above.

But Oedipus's defense is wholly different, even though it may nominally bear the same label. For his statute of limitations defense is specific to his own conduct. A recent case, *Makedwde Publishing Co. v. Johnson*, 37 F.3d 180 (5th Cir. 1994), confronted facts that illuminate the instant circumstances. In that case, the district court held the primary defendant liable under the continuing-tort theory of *Taylor v. Meirick*, 712 F.2d 1112, 1119 (7th Cir. 1983) (allowing plaintiffs to "reach back" and get damages for entire duration of alleged violation even where some wrongful acts occurred outside statute of limitations period), for activities that he personally undertook over three years prior to the filing of suit because he had failed "to take reasonable steps to prevent others with whom he had previously collaborated from continuing to infringe." *Makedwide Publ'g*, 37 F.3d at 182 (citing *Taylor*, 712 F.2d at 1119). The Fifth Circuit reversed on this issue of first impression. *See id.* at 181. It applied the statute of limitations literally to bar any action against a defendant whose own conduct predated the three-year cutoff of the statute. *See id.* at 182 ("Jones is only liable for his acts of infringement committed within three years prior to Plaintiffs' lawsuit.").

The foregoing authority indicates that primary defendants are to be held liable only to the extent that their own personal conduct falls within the three years of the statute of limitations. On the issue of first impression as to how related defendants are to be treated under parallel circumstances, we should adopt the same rationale: Such defendants are to be held liable only to the extent that their own conduct falls within the three years of the statute of limitations. Assuming that Oedipus's claim that his conduct long predated that bar is found accurate, then the motion to amend the complaint to add him as a defendant should be denied.

Thus, the inquiry into the statute of limitations defense has produced anomalous results. Defendants such as Nestor who assert it with respect to the underlying infringement and all acts of the primary defendant have asserted a general affirmative defense, which inures to the benefit of the entire class of defendants. By contrast, defendants such as Oedipus who isolate the defense to their own particular conduct have urged a specific defense, which benefits no one else. In this way, the statute of limitationsdefense actually straddles the boundary between general and specific.

II
Laches

Achilles also wishes to amend the complaint to bring in Paris as a co-defendant. Paris disclaims any responsibility for the entire mess, maintaining that others are solely to blame.

In particular, Paris maintains that he and Achilles jointly attended the "Honor Among Thebes" preparations, and Achilles agreed at that time that Paris would become proprietor of *The Iliac*. Paris further maintains that he has been holding himself out as the rightful owner of *The Iliac* since that date.

A series of recent cases has sustained a defense of laches when an inordinate delay of time has occurred, during which period the defendant reasonably believed himself to be the author of a contested work "and conducted business accordingly." *Jackson v. Axton*, 814 F. Supp. 42, 44 (C.D. Cal. 1993), *aff'd and remanded*, 25 F.3d 884 (9th Cir. 1994). On the basis of that line of cases, Paris's laches defense would appear to be valid.

As always, the question remains whether that determination is specific or general. Because the laches defense hinges on the conduct of Paris himself, it would appear to be a paradigmatic case of a specific defense. Accordingly, Paris's victory does not undermine Achilles's case against any of the remaining defendants.

But as with the statute of limitations defense considered above, the question must also be asked from the opposite perspective -- what if Paris contended that Zeno has enjoyed a laches defense ever since Achilles's conduct at the "Honor Among Thebes" festival many years ago? Does such a defense aid Zeno alone, or others as well?

Given that laches inherently inquires as to the conduct of the defendant, it appears to be a specific defense, rather than a general one bound up in the infringement itself. Accordingly, we are left with an interesting juxtaposition: If Zeno prevailed based on the statute of limitations, the case would end against all related defendants; but Zeno's victory on the closely allied issue of laches leaves other defendants unaffected. By this stage, the pristine lines constructed by the district court below are beginning to blur.

III
Res Judicata

Those lines blur even further when we consider defenses of claim preclusion or issue preclusion. This additional facet also provides another prism through which to view our main inquiry.

As noted by the court below, to the extent that Jocasta prevailed on a defense of substantial similarity, the case would end against all defendants. Let us now entertain the converse possibility: Jocasta alleges absence of substantial similarity but loses on that defense. Once Achilles has prevailed as to his prima facie case, what impact does that victory import vis-a-vis other defendants?

Were Achilles to proceed to trial against Klytemnestra, his initial victory on the question of substantial similarity against Jocasta would not prove decisive in that context. In other words, Klytemnestra would remain at liberty to relitigate substantial similarity. The question therefore arises whether that circumstance causes the entire fabric patched together below to unravel.

The answer is that it does not. The reason that Klytemnestra could contest substantial similarity is that issue preclusion binds only those against whom issues have been determined; it does not provide litigants a sword with which to stab new parties who were not privy to the underlying dispute. On that basis, Klytemnestra remains at liberty to litigate the question of substantial similarity anew.

Nonetheless, the crucial realization here is that the substantial-similarity defense that Klytemnestra would urge relates solely to Zeno's conduct. In other words, Klytemnestra would not be focusing on her particular circumstances to construct an argument. Instead, she would be asking the court to reconsider its initial determination that Zeno's performance was substantially similar to Achilles's copyrighted work -- just as Jocasta tried (but failed) to convince the court about the absence of Zeno's similarity.

The foregoing hypothetical imagines the loss of a defense, rather than a win by a primary or related defendant. This circumstance opens an entirely new window on the district court's analysis, which was framed entirely at examining victorious defenses.

As noted by the court below, to the extent that Zeno prevails on a defense of fair use, *Sony* mandates that the case as a whole end. From that circumstance, the district court concluded the converse -- that to the extent Zeno's fair use defense did not prevail but failed instead, nothing would remain in the fair use arena for Epicurus to litigate. The majority opinion in *Sony* itself does not mandate that result. In other words, there is room, even within the *Sony* framework, for Judge Whyte to rule as he did in *Netcom*.

If logic permits that result, then the only remaining question is whether one can construct any good reason for it. I cannot. Indeed, the only argument that I can make in support of the proposition that a related defendant can relitigate the fair use defense after the primary defendant failed is the circumstance, to which I alluded above, that part of the fair use inquiry evaluates the defendant's conduct. *See* 4 Nimmer & Nimmer, *supra*, § 13.05[A][1] [[d], at 13-165 to 13-168 (stating that propriety of defendant's conduct is relevant to whether use is fair or not). Thus, one could imagine the rejection of a primary defendant's fair use defense on the grounds that she purloined the manuscript in issue and, therefore, comes to court as a bad actor. Cf. *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 563 (1985) (denying The Nation's fair use defense against copyright infringement claim that stemmed from its publication of excerpts from manuscript it knew had been stolen). One can further imagine a related defendant in the same action whose personal conduct is unblemished. In that circumstance, can we not imagine that the primary defendant's loss of fair use does not necessarily presage the similar disposition of the related defendant's defense?

As I say, that is the best argument that I can construct; nonetheless, it strikes even me as unconvincing. The fair use inquiry is composed out of four nonexclusive factors; the inquiry just noted into the defendant's conduct simply occupies one subsidiary portion of the first nonexclusive factor. As such, it constitutes a fractional amount of the fair use inquiry. It strikes me as both bad doctrine and bad policy to exalt that subcomponent into the essence of the fair use inquiry. All of the remaining factors, as well as the remaining subcomponents of the first nonexclusive factor, inquire into the primary defendant's usage as a whole to determine whether it is "fair," rather than into any particular circumstance of the defendant urging the fair use defense. On that basis, I am fortified in the two major conclusions of this concurrence: (1) Fair use is a general defense that "relates to" the infringement as a whole rather than to the circumstance of a particular defendant; and (2) the boundaries drawn here are far less than hermetic.

IV
Other Defenses

Although many affirmative defenses have already been confronted, others remain. Related to laches, for instance, is the defense of estoppel. Estoppel is a defense integrally bound up with the particular facts of the defendant's infringing conduct. *See, e.g., Chi-Boy Music v. Charlie Club Inc.*, 930 F.2d 1224, 1228 (7th Cir. 1991) ("For estoppel to apply in a copyright action, the copyright owner must be aware of the infringing conduct and yet act in a way that induces the infringer to rely upon such action to his detriment."); *see also* 4 Nimmer & Nimmer, *supra*, § 13.07, at 13-275 ("[T]he party to be estopped must know the facts of the defendant's infringing conduct.").

A related defendant who claims that she changed her particular conduct in reliance on the plaintiff's representations presents the easy case -- her defense, if successful, is entirely specific and thus benefits no other co- defendant. But what of a related defendant who claims that the primary infringer changed his position in such reliance? It would seem that that defense is also specific; thus, as applied to the instant case, it might immunize Zeno no less than were he to advance a successful personal jurisdiction or diplomatic immunity claim, without affecting the cause of action as a whole.

* * *

Because I cannot improve on Judge Teiresias's formulation, I approve of his proposed method of handling the fair use affirmative defense of a related defendant. Further, I accept the test that a general defense "relates to" the circumstances of the infringement, whereas a specific defense "relates to" the circumstances of the defendant who pleads it. Finally, I agree that that test produces the unambiguously correct results for each defendant from Briseis to Jocasta.

I add these remarks concerning the statute of limitations and laches so as to underline that the foregoing distinctions are more slippery than the decision below allows. If future cases determine, based on the precise circumstances presented, to evaluate laches or estoppel of the primary infringer as a general defense rather than as the specific defense that they seem to me to be, I would not be shocked. By the same token, I can understand why Judge Whyte in *Netcom* analyzed fair use as a specific defense. Nonetheless, for the reasons set forth in the opinion below, as amplified by the observations in this concurrence, I disagree with the *Netcom* approach and would therefore treat the fair use defense of an affirmative defendant as relating solely to the underlying infringement.

NYX, Circuit Judge, specially concurring:

Good night!

Judge Teiresias was not blind to the vital issues underlying this case; Judge Cerberus, however, has simply been chasing his tail in belaboring various hypotheticals.

By now, it should be clear that a defense that "relates to" the particular defendant urging it is specific and benefits no one else; by contrast, a defense that "relates to" the infringement as a whole is general and thus affects the entire cause of action. As the estimable Cerberus has delineated, that formulation sometimes produces unanticipated results: To wit, making the statute of limitations sometimes general and sometimes specific and decoupling a general statute of limitations defense from a laches defense. But that frustration of our uncritical expectations hardly furnishes a reason to discard this formulation. Instead, it provides a reason to celebrate the critical human facilities that lead to such discernment.

The linchpin of Judge Teiresias's analysis was to demonstrate the flaw in Netcom's treatment of the fair-use defense of a related defendant. In this regard, he hit the nail exactly on the head.

What is noteworthy about *Netcom* is that it determined that the fair use factors should be calibrated against Netcom's, rather than Erlich's, behavior without citing any authority whatsoever for that method of proceeding. The lack of precedent for *Netcom* is worth highlighting because that case itself now exists as authority for other courts to cite. Indeed, that process has already begun. *See Sega Enters. Ltd. v. MAPHIA*, 948 F. Supp. 923, 934 (N.D. Cal. 1996) (citing *Netcom* for proposition that Internet provider may urge independent fair use defense). Before other courts are similarly led astray, I believe we should nip in the bud that inappropriate method of analysis. (Although we are doing so pursuant to the fiction of a judicial opinion embedded into a law review article, cf. Lon Fuller, "The Case of the Speluncean Explorers," 62 *Harv. L. Rev.* 616 (1949) (setting out several fictitious opinions for invented murder case), the efficacy of that device should not be underestimated, *see* William Eskridge, Jr., "The Case of the Speluncean Explorers: Twentieth-Century Statutory Interpretation in a Nutshell," 61 *Geo. Wash. L. Rev.* 1731, 1743 (1993) ("Fuller's fictional exercise must be counted as one of the important jurisprudential documents in this century.").)

As opposed to calibrating fair use with respect to the related defendant's conduct, all nine Justices of the United States Supreme Court, in *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), proceeded contrariwise. Instead, they applied the four fair use factors vis-a-vis the conduct of the primary infringer. Accordingly, the *Netcom* approach cannot stand.

By emphasizing that the *Netcom* result is not, strictly speaking, inconsistent with the *Sony* majority, Judge Cerberus is barking up the wrong tree. Given that he wishes to examine the supposition that fair use is lacking as to the primary defendant, he should have turned his attention to the *Sony* dissent, given that the four dissenters viewed fair use as absent under the facts there presented. What is most noteworthy for current purposes is that their analysis hinged entirely on the use of home users as failing to constitute a "productive use" and otherwise being unfair. *See id.* at 475-86 (Blackmun, J., dissenting). Justice Blackmun's dissent contains not a hint that, as imagined by Judge Cerberus, the denial of a primary defendant's fair use defense leaves room for the related defendant to continue to interpose any residual fair use argument. Indeed, Sony Corporation itself argued the existence of fair use solely with reference to the conduct of home tapers, not by virtue of its own conduct. *See id.* at 480. These considerations should suffice to dispel the notion that any Justice of the United States Supreme Court would adopt my learned colleague's tortured notion that the unsuccessful fair use defense of a primary defendant leaves anything left in that realm live for further argumentation.

* * *

Fair use is a vital defense, indeed integral to the proper functioning of the copyright laws. *See Bateman v. Mnemonics, Inc.*, 79 F.3d 1532, 1542 n.22 (11th Cir. 1996) (Birch, J.) ("Although the traditional approach is to view 'fair use' as an affirmative defense, this writer, speaking only for himself, is of the opinion that it is better viewed as a right granted by the Copyright Act of 1976."). It is therefore a task of the utmost importance to define how that defense is to be treated when urged by related defendants. For all the reasons set forth herein, that defense should be calibrated solely against the circumstances of the primary infringer, not, as in *Netcom* and *Sega Enterprises*, with regard to the circumstances of the related defendant.

The conclusion below was so fine as to deserve repetition:

> Confusion is hereby dispelled concerning which related defendants can assert what vicarious defenses: When the defense relates to the action as a whole, it should result in dismissal of the entire action; by contrast, when it relates solely to the circumstances of an individual defendant, only that particular individual can benefit by the defense prevailing. All persons in receipt of this exposition are hereby admonished not to conflate these categories ever again.

See Achilles v. Zeno, 1 F. Supp. 2555, 2575 (O.D. Plps. 533 B.C.E.).

* * *

Perhaps future archaeologists will one day unearth the Supreme Court opinion blasting away the foregoing framework. I, for one, hope not. The distinctions that emerge from this trio of opinions strike me as useful lanterns to illuminate future developments in the amphitheater of vicarious defenses.

DARTMOUTH COLLEGE

COPYRIGHT OWNERSHIP POLICY

1. General. Dartmouth students, professors and staff routinely create new written scholarship, literary works, computer software, artistic works and create other items of copyrightable work. Copyright is a narrow form of intellectual property protection. It protects only the fixed expression of an idea, not the idea itself. The federal copyright law provides that most original works of authorship are protected by copyright automatically when they are fixed in tangible form. The holder of copyright to a work has the exclusive right to copy or perform the work or to publish derivative works based on the original.

Often issues arise as to the ownership of copyright. The following policy is based on Dartmouth's several prior policies dealing with this question, and also copyright.

2. Ownership. Under copyright law, the copyright to works created by persons in the course of their employment belongs to their employer rather than to the individual creator. Therefore, absent other agreements or institutional policies, works created by faculty members in the course of their teaching and research, or by staff members in the course of their jobs, are the property of the College.

As a matter of fundamental principle, however, the College encourages wide dissemination of scholarly work produced by members of the Dartmouth community, including copyrightable works. Therefore, the copyright policy at Dartmouth - and most peer institutions - is that, except as provided for below, scholarship, literary works, computer software, artistic works and other items of copyrightable work created by faculty or other employees are deemed to be the property of the writer/developer, who is entitled to determine how the works are to be disseminated and to keep any net income they produce.

In recognition of this long-standing practice, the College disclaims ownership of works by faculty and staff, or others participating in Dartmouth programs including visiting faculty, whether in traditional or nontraditional forms, except in the following cases:

a) Assigned Tasks. The College will own the copyright to works created (i) by faculty members as part of an assigned task, where the assignment explicitly states that the work will be owned by the College, (ii) by administrative staff members in any specialized field of work they perform for the College, and (iii) by technical staff, postdoctoral fellows, and student employees in the course of any assigned duties other than research tasks performed in support of a project directed by a faculty member.

b) Outside Agreements. Where copyrighted materials are developed by an investigator in the course of sponsored research funded by an outside agency pursuant to an agreement approved by the

Office of Grants & Contracts, ownership of the copyright will be determined by the terms of the agreement.

c) Special Circumstances. Where the College makes an extraordinary investment in the development of a copyrightable material (by way of either financial or resources commitment) or the College enters into a written agreement with the Developer(s) and that agreement makes provision for copyright ownership, the College will own the copyright of the works unless the parties agree otherwise. In all cases where the College owns the copyright of the works, it will share net income received from the commercialization or exploitation of the copyrightable material as provided in section 3 of this policy.

d) Patentable Works. Where the copyrightable work is also patentable, Dartmouth College Patent Policy will apply to it.

3. Distribution of Income. Dartmouth College agrees to share with the originator(s) any net income received from commercialization or exploitation of College-owned copyrightable material. All expenses incurred by the College will be deducted from the gross income before any distribution of proceeds will be made. Unless otherwise agreed, the net proceeds will be shared with the originators on a 50%-50% basis, following the formula applied to patentable inventions.

4. Disclosure. It is the responsibility of the originator(s) to make prompt disclosure of any copyrightable materials that may, under provisions of this policy, be owned by the College. The disclosure should be made to the Technology Transfer Office, Hinman Box 6210, (603) 646-3027.

5. Dispute Resolution. The copyright policy will be administered by the Dean of the Faculty or the Dean of the appropriate professional school. Disputes concerning application of the policy shall be resolved by a review panel of three members: a representative of the originator(s), a person designated by the Treasurer of the College, and a third person selected by the Provost. The decision of the panel may be appealed by any member of the panel to the President of the College.

(Prepared by the Copyright Subcommittee of the Council on Sponsored Activities and amended after discussion with the Council on Sponsored Activities, September 27, 1994.)

PRINCETON UNIVERSITY
COPYRIGHT POLICY

A. Basic Objectives

Copyrights are created by the Constitution and the Laws of the United States "to promote the progress of science and usefularts by securing for limited times to authors ... the exclusive right to their writings." The basic objectives of Princeton University's policy as to copyrights include the following:

1. To maintain the University's policy of encouraging research and scholarship without regard to potential gain from royalties or other such income.
2. To maintain the basic right of any individual within the University community to write and publish.
3. To encourage the dissemination of copyrightable materials developed in the course of University activities.
4. To recognize each individual's right to all income resulting from his writings except as stated herein.
5. To disavow any claim of equity on the part of the University in the writings of any individual simply because of the individual's membership in the University community.
6. To advance and encourage research and scholarly endeavor within the University with any funds accruing to the University from copyrights.
7. To recognize the equity of outside sponsors in the endeavors of the University by granting appropriate limited rights to sponsors, consistent with the University's basic objectives outlined above.

B. University Research Board, the Office of Research and Project Administration, and the Office of Technology Licensing and Intellectual Property

The University Research Board is responsible for general oversight and administration of the University's copyright policy as regards the University, its faculty, employees, students and outside sponsors. The Office of Research and Project Administration (ORPA) is responsible for the implementation of the Copyright Policy under general oversight of the Board. Office of Technology Licensing and Intellectual Property, located within ORPA, is responsible for the University's Copyright and Trademark Licensing Programs, providing management of copyrights and trademarks and licensing services for the University community.

C. Relationship Between the University and Faculty, Employees and Students

All faculty members, employees, and students, in consideration of their membership in the academic community and upon the approval of this policy by the Trustees and the Faculty of Princeton University, agree to handle material subject to copyright as follows:

1. The University shall, except as provided by specific contract between the author and the University, have the right to obtain and own copyright and to retain any income from copyrightable material which is developed by individuals whose specifically assigned duties include the preparation of that material.
2. The University supports the normal teaching and research efforts of its faculty in a variety of ways. The University considers these allocations appropriate to further the individual scholarly activities of the members of the University community and makes no claim to the products of these activities. However, under some conditions, this support may include substantial expenditures for additional work which faculty or staff have undertaken and which may bring in personal income from the outside. In such cases, the University considers it has some equity and part of the income received should be used to reimburse the University for use of its resources.
3. The University shall not, except as provided by specific contract between the author and the University, claim any equity in or right to copyrightable material other than that covered by paragraphs 1 and 2 above, and computer programs discussed in paragraph D below.
4. When the University and an outside sponsor enter into an agreement for research or other scholarly endeavor to be conducted with funds or facilities provided by said sponsor, faculty members, employees or students who utilize such funds or facilities shall comply with the conditions pertaining to copyrightable material contained in said agreement and may be required to agree in writing that he or she will so comply.
5. If a dispute should arise between an author and the University with respect to the provision of this Section C, questions shall be referred for decision to the University Research Board.

D. Materials Subject to Copyright

The types of material that may be subject to copyright include the following:

1. Literary Works, such as books, journal articles, texts, glossaries, bibliographies, periodicals, manuscripts, study guides, laboratory materials, syllabi, and tests.
2. Musical works, including any accompanying words.
3. Dramatic works, including any accompanying music.
4. Pantomimes and choregraphic works.
5. Motion pictures and other audio-visual works.
6. Sound recordings.
7. Architectrual works.
8. Computer software.

While from a strictly legal standpoint, computer programs may be either copyrighted or patented, they are, within the University context, closer to inventions than to literary and artistic creations. Therefore, all rights in computer programs shall be considered under the provisions of the University Patent Policy rather than this Copyright Policy.

E. Distribution of Income

Any income realized by the University from its equity in copyrightable material will be used for the purpose of research or scholarly activity, with preferential consideration being given to the field of activity in which the copyrightable material is generated.

GEORGE MASON UNIVERSITY

APPENDIX E:
COPYRIGHT POLICY
AND
COPYRIGHT POLICY PROCEDURES

Copyright Policy

I. INTRODUCTION

This policy defines and establishes the respective rights and obligations of University faculty, students, and staff regarding copyrightable works made by them. Certain terms used in this policy are defined in Section V.

II. OWNERSHIP OF WORKS

A. Authored by University Staff. In accordance with the Federal Copyright Act of 1976, works developed by University staff within the scope of their employment are the property of the University.

B. Authored by University Faculty. All copyrightable works developed by faculty members on their own initiative shall be the property of such faculty members, except as follows:

1. Specific Assignments. The University owns the copyright and works produced pursuant to specific assignments or specific duties that are not connected with normal teaching, scholarship, research or artistic endeavors. The authoring of catalogue or promotional materials is an example of such an assignment.
2. Special Projects. The University owns the copyright for works created as special projects.
3. TV Lecture Series. When a faculty member agrees to the University's request to have his or her lectures videotaped for off-campus broadcast or to have them broadcast live via University telecommunications facilities, the programs will be jointly owned and copyrighted by the faculty member and the University.
4. Works Developed in the Course of Assigned Duties or Conducted Wholly or Significantly Through the Use of General Funds. The University owns works developed in the course of assigned duties or developed wholly or significantly through the use of general funds.

C. Authored by Students. Copyrightable works, including dissertations, developed in connection with course work by students who are not University employees are deemed to belong to the student. However, the University may claim copyright ownership of a work when extraordinary use of University facilities, personnel, or resources is made in the development of the materials, especially when unrelated to coursework.

III. ROYALTY ALLOCATION

A. When the University retains ownership of a work authored by a faculty member, the University will execute an agreement with the faculty member providing for a sharing of net proceeds from the commercialization of the work in a manner reflecting proportionately the relative contributions of the author and the University. Proceeds will continue to the faculty member after separation from the University or to the faculty member's estate upon his or her death. Such works may be used within the University without royalty to the author, but the University may agree to compensate the author for special cases of internal use. If more than one faculty member is an author of a work or a part thereof, the share of proceeds which this paragraph allocates to the author will be shared among such co-authors.

B. The faculty author of a work, the ownership of which is retained by the University, shall warrant to the University that the work is original and that to the best of his or her knowledge the work does not infringe on any copyrights of others, does not contain libelous matter, and does not contain any material improperly invading the privacy of others.

IV. AUTHORITY TO ACT FOR THE UNIVERSITY

The Board has adopted initial procedures to implement this policy. The President may make changes in such procedures. The President or his designee shall report to the Board on University copyright activities, including, but not limited to any changes in the procedures and a list of copyrightable works in which the University has claimed an interest, at the November meeting of the Board each year beginning in 1986.

V. DEFINITIONS

A. Author or Authors mean the individual faculty member or members who devise the particular form of part or all of a copyrightable work.

B. Board means the Board of Visitors of George Mason University.

C. Commercialization means sales of copyrights and contracts with outside agencies providing for royalties or other lease arrangements based on copyrights.

D. Faculty has the same meaning as in the current George Mason University Faculty Handbook. For the purpose of this policy statement, administrative faculty are considered "staff" when they are fulfilling their administrative roles and "faculty" when they are carrying out their duties as regular faculty members.

E. President means the President of George Mason University.

F. Proceeds means the net remaining after deduction of unreimbursed development costs incurred and the expenses of marketing, including cost of advertising, sales, distribution, and related overhead costs.

G. Special Projects are activities to which the University makes a substantial contribution of funds, personnel, facilities, services, or reduction of workload to the author. What constitutes a "substantial contribution" for purposes of this definition must be decided on a case by case basis. These are frequently, but not always, similar to projects supported by outside sponsors, who from time to time include in their grants or contracts, terms that claim ownership of the copyright by the sponsor or require publication without copyright. The University will retain an interest in any copyrightable work produced by a Faculty member, staff member or student under contract with a third party if the University makes a substantial contribution notwithstanding any contract terms to the contrary. Funds and facilities provided by outside sponsors which are administered and controlled by the University shall be considered to be "funds" and "facilities" contributed by the University for the purposes of this definition. Special projects will be frequently, but not always, characterized by released time to the author or authors, by the substantial use of University facilities, and/or by the contribution of University employees other than clerk and secretarial employees. Examples of such substantial University contributions are the use of one or several University employees in the preparation or validation of teaching or testing materials, the participation of University employees as researchers on a project, and a University-sponsored conference which is funded by the University with the participants being paid for or contributing their papers or presentations and a faculty member compiling and editing the proceedings.

H. Staff means all employees of the University other than faculty.

I. Work or works are those products for which copyright protection is provided by the Federal Copyright Act of 1976. This statute covers "original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced or otherwise communicated." Copyright protection does not "extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery...described, explained, illustrated, or embodied in such work." Works may be literary, dramatic, musical, choreographic, artistic, scientific, and so forth. They may be fixed in the form of writing, drawing, maps, photographs, paintings, sculptures, motion pictures, sound recordings, and so forth.

J. University means George Mason University.

K. Assigned Duty is narrower than "scope of employment," and is an undertaking of a task or project as a result of a specific request or direction. A general obligation to do research, even if it results in a specific end product such as a vaccine, a published article, or a computer

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program, or to produce scholarly publications, is not a specific request or direction and hence is not an assigned duty. In contrast, an obligation to develop a particular vaccine or write a particular article or produce a particular computer program is a specific request or direction and is therefore an assigned duty.

L. Significant Use of General Funds and the phrase "developed wholly or significantly through the use of general funds," mean that general funds provided over half of the identifiable resources used to develop a particular intellectual property, and exceeded $10,000.00. A reasonable cost should be assigned to those resources for which a cost figure is not readily available, such as salary, support staff, and other equipment and resources dedicated to the creator's efforts. Resources such as libraries that are available to employees generally should not be counted in the assessment of the use of general funds. 7/30/87

Copyright Policy Procedures

I. INTRODUCTION

These procedures implement the Copyright Policy established by the Board of Visitors. Certain terms used in these procedures are defined in Section V of the Copyright Policy.

II. AUTHORITY TO ACT FOR THE PRESIDENT

The authority to act for the President in all matters involving intellectual property including copyrights and patents, including the making of contracts and the waiving or assigning of University rights is hereby delegated to the Vice Provost for Faculty Affairs and Research ("The Vice Provost").

III. UNIVERSITY INTELLECTUAL PROPERTY COMMITTEE

The Vice Provost will be advised by a University Intellectual Property Committee ("the Committee") elected by the Research Advisory Committee. The Committee will consist of five faculty members actively involved in intellectual property matters. The Vice Provost will chair the Committee and will be a non-voting participant in all Committee deliberations. All Committee terms are rotating for three years; the members may be reappointed. The Committee's duties will include:

A. To recommend whether the University has a proprietary interest in a faculty-authored work, and, if so, to what extent, should the faculty authors and the Vice Provost disagree;

B. To recommend the relative shares in the work of faculty co-authors, should the faculty co-authors and the Vice Provost disagree;

C. To recommend whether to apply for a copyright and/or market the work, should the faculty authors and the Vice Provost disagree;

D. To make recommendations on matters of obsolescence as provided in Section VII, below, should the faculty authors and the Vice Provost disagree; and

E. To make recommendations on all matters pertaining to copyright not resolved by this procedure statement and to recommend modifications of the Copyright Policy that may be appropriate.

IV. PROCEDURE FOR IDENTIFYING OWNERSHIP OF COPYRIGHTS

Each faculty member shall report to his or her chair any projects that might be subject to copyright. The chair of each department (or the Dean in the case of those schools/colleges without a departmental structure) in consultation with the collegiate dean shall forward a list of projects possibly subject to copyright to the Vice Provost with a recommendation concerning which items the University may wish to claim. The Vice Provost, following any necessary consultation with the Intellectual Property Committee, shall prepare a final recommendation for the President regarding University interests. If the President waives the University rights to a project, then so long as that project does not alter substantially in scope, the University will have no later claim. This process shall be completed within 90 days following the faculty member's report.

V. RIGHTS WITH OUTSIDE AGENCIES

Terms of a grant from or contract with an outside agency allocating copyrights or specifying a right to require publication without copyright are binding on the faculty author and the University, only if contract or grant is approved by the University in advance.

VI. ROYALTY ALLOCATION

In the usual case where a copyright is owned by the University and net proceeds from royalties are to be shared with the author(s), an appropriate sharing of these proceeds would be as follows:

A. The first $1,000 of proceeds to the author;

B. Half of the proceeds above $1,000 to the author and the other half to the University. If more than one faculty member is an author of a work or a part thereof, the share of proceeds which this paragraph allocates to the author will be shared among such co-authors as they shall determine. In cases where the University incurs litigation costs in defending the copyright against infringement, such costs will be deducted from income before any royalties are distributed. If such costs are incurred after the distribution of royalties have commenced, the author will be held harmless for any royalties already received.

VII. USE OF WORKS COPYRIGHTED BY THE UNIVERSITY

The University will make all reasonable efforts to consult with the author of a work, the copyright of which vests in the University, before any use is made of the work within the University or any license for its use outside the University is granted. If the University fails to make progress toward obtaining a copyright (and marketing such copyright) of a faculty-authored work owned by the University within a period of 18 months, the faculty member may formally make a written request to the University Intellectual Property Committee, that the ownership of the materials pass to the author. Faculty-authored works owned by the University may be reviewed by the author after five years for obsolescence. If he considers the materials to be obsolete, he has the right to refer the matter to the Vice Provost, with recommendation for disposal of the material. 8/23/89

THE GEORGE WASHINGTON UNIVERSITY

COPYRIGHT POLICY

Adopted:
The George Washington University Board of Trustees
October 11, 1990

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1. OBJECTIVES

The University encourages the creation and publication of scholarly, technical, literary and artistic works as part of its educational mission. When the Faculty, Staff, or Students in pursuit of their normal scholarly or professional responsibilities, including normal use of the University's physical facilities, by their own initiative create copyrightable works, that copyright and any resulting royalties may be claimed by the Faculty, Staff member, or Student as author of the copyrighted work. However, when a work is "made for hire" (4.2.2) or when "substantial use" (4.1.1) of University facilities and resources are involved, as defined herein, the copyright in such work shall be owned by the University.

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2. DEFINITIONS

2.1 Definition of Copyrightable Materials

2.1.1 Under federal copyright law, copyright protection subsists in "original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." The copyright exists from the moment of creation of the work.

The following categories of material, whether published or unpublished, may be subject to copyright protection:

a. literary works, such as books, journal articles, textbooks, laboratory manuals, lectures, or computer programs;

b. musical works, including any accompanying words;

c: dramatic works, including any accompanying music;

e. pantomimes and choreographic works;

f. motion pictures and other audiovisual works, such as films, video-tapes, videodiscs or multimedia works; and

g. sound recordings, such as audiotapes, audio cassettes, phonorecords or compact discs.

Copyright protection does not cover the ideas or concepts embodied in a work, but rather the manner of expression. In general, the term of the copyright is the life of the author plus 50 years, or in certain circumstances, the shorter of 75 years from the year of the first publication or 100 years from the year of creation.

2.1.2 Subject to certain limitations, the owner of a copyright has the exclusive right to do and to authorize the following:

a. to reproduce copies of the copyrighted work;

b. to make derivative works based on the copyrighted work;

c. to distribute copies of the copyrighted work;

d. to perform the copyrighted work publicly; and

e. to display the copyrighted work publicly.

2.2. Definition of Employee

The term "employee" shall be understood to mean any person receiving any compensation (salary, wage, stipend, fee) from the University in exchange for specified services.

2.3 Sponsored Research and Sponsored Project

The terms Sponsored Research or Sponsored Project shall refer to research activities or other work performed by a University employee for compensation from any agency, party or parties external to the University, which research activity or other work may result in the creation of copyrightable works.

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3. RESEARCH OR OTHER WORKS THE COPYRIGHT OF WHICH WILL NORMALLY BELONG TO THE FACULTY, STAFF OR STUDENTS OF THE UNIVERSITY.

3.1 Scholarly Publications

The University makes no claim of ownership of copyright in technical research articles and similar works published in scholarly journals unless such works are created within the scope of a sponsored project under an agreement which provides for ownership of copyright, in which case the sponsored project agreement shall take precedence. Sponsored research, without a specific agreement for copyright, shall be considered scholarly work within a faculty member's normal job responsibility and the copyright in such works shall belong to the author.

3.2 Textbooks and Published Instructional Materials

Unless the University specially commissions textbooks or published instructional materials, including computer assisted and multimedia materials as "Works made for Hire," as defined in 4.2, the University makes no claim of ownership of copyright in such materials.

3.3 Theses and Dissertations

Copyright ownership in a thesis or dissertation prepared by a student toward degree requirements shall remain with the author of such work, provided that, unless otherwise agreed in writing, the author of such work shall grant a royalty-free license to the University to reproduce and distribute or otherwise make available to the public a limited number of copies of such thesis or dissertation.

3.4 Computer Software and Other Computer-Generated Work

The copyright in computer software and other works produced by an employee or student, using University computer resources and facilities within the scope of the employee's job responsibilities or student's academic program, shall belong to the employee or student. Copyright in computer software shall not belong to the employee or student when "Substantial use" of University facilities is involved as defined and explained in Section 4.1.

4. RESEARCH OR OTHER WORKS THE COPYRIGHT OF WHICH WILL NORMALLY BELONG TO THE UNIVERSITY

4.1 Works done with "substantial use" of University facilities, resources or support

Ownership of copyright in materials created by an employee with "substantial use" of University facilities, resources and support staff as defined below (4.1.1) shall be assigned by the author(s) to the University as provided in Section 5 hereof, unless the University agrees, in writing, to waive its rights to such assignment.

4.1.1 Definition of Substantial Use

"Substantial use" of University facilities,. resources, and support staff is that use of University laboratory, studio, audio, audiovisual, video, television, broadcast, computer, computational or other facilities, resources and support staff which:

a. is for the purpose of creating a copyrightable work or works;

b. falls outside the scope of the employee's normal job responsibilities or student's academic program; and

c. has no specified agreed reimbursement to the University by the employee or student.

4.2 Works that are "Made for Hire"

Copyright in a "work made for hire" as defined below shall be owned by the University.

4.2.1 Definition of "Work Made for Hire"

A "Work Made for Hire" is a work prepared by an employee (including an employed student), within the scope of employment, that is specially ordered or commissioned by the University for the University's use and benefit.

4.2.2 In the absence of a written agreement approved by the Copyright Administrator, all audio, audiovisual, video and television works and broadcasts created by an employee or student with the use of University audio, video, television and broadcasting facilities and resources shall be treated as "works made for hire."

5. ASSIGNMENT AND EXERCISE OF RIGHTS AND ALLOCATION OF REVENUES

5.1 Assignment of Copyright to University

Where a work subject to copyright is created as provided in Paragraph 4.1 above, unless otherwise agreed in writing, each author of such work shall execute a written assignment to the University, which provides for the following:

a. that the author transfers all right, title and interest in and to the copyright to the University;

b. that the work is an original work created by the author;

c. an identification of any preexisting materials, whether copyrighted or in the public domain, reflected in the subject work;

d. that any copies of the work distributed by or with the authority of the author shall bear an appropriate copyright notice; and

e. that the author shall execute any further documents, and provide any additional information and cooperation necessary to obtain registration of the copyright, or to enforce the rights in the copyright.

5.2 Registration, Disposition and Protection of Copyright

Registration, disposition and protection of all copyrights owned by the University hereunder shall remain in the sole discretion of the University.

5.3 Allocation of Royalties

5.3.1 Works Made for Hire

Where a work subject to copyright is created as a "work made for hire" as defined in Paragraph 4.2.2 by an employee of the University, the normal salary or other remuneration paid to the employee for creation of such work within the scope of employment shall constitute full compensation for the creation of the copyrighted work.

5.3.2 Copyrights Assigned to the University

Where ownership of a copyright is assigned to the University as provided in Paragraph 5.1, unless otherwise agreed in writing, any income derived from publication, distribution, performance, display or sale of the work, or licensing of any rights in the copyright shall be allocated as follows:

a. University expenses associated with registration of the copyright, and any costs incurred by the University in connection with publication, distribution, performance, display or sale of copies of the work or licensing or enforcement of any rights in the work shall first be reimbursed;

b. The remainder of any revenues after payment of expenses shall be divided for the term of the copyright in the following manner:

   (i) 60% to the University, or its successors or assigns;

   (ii) 40% to the author (or in equal shares to joint authors), or to the respective successors, assigns, heirs or beneficiaries;

c. In the case of audio, audiovisual, video and television works and broadcasts under Paragraph 4.1.1 in the absence of a written agreement between the author(s) and the University which provides for the allocation of any revenues, the University shall be entitled to receive all revenue, and shall have the exclusive right and discretion in the allocation and distribution of such revenues.

6. COPYRIGHT ADMINISTRATION

The Associate Vice President for Research shall be the Copyright Administrator for the University. The Copyright Administrator shall ensure that the University's policy on copyright is enforced and will prepare copyright applications, maintain records and provide advice to faculty and staff. The Advisory Council on Academic Research will serve to assist the administrator in the negotiation of copyright matters, the evaluation of ownership and the disposition of royalty income. The Advisory Council on Research will hear and decide appeals from Faculty, Staff or Students concerning decisions on copyright taken by the Copyright Administrator. The procedures and decisions of the appeal hearings shall be published by the Office of the Associate Vice President for Academic Affairs and Research.

UNIVERSITY OF CALIFORNIA POLICY ON COPYRIGHT OWNERSHIP

University of California
Office of the President
August 19, 1992

I. Preamble

The creation of copyrighted works is one of the ways the University fulfills its mission of contributing to the body of knowledge for the public good. The University encourages the creation of original works of authorship and the free expression and exchange of ideas.

This Policy is intended to embody the spirit of academic tradition, which provides copyright ownership to faculty for their scholarly and aesthetic copyrighted works, and is otherwise consistent with the United States Copyright Law, which provides the University ownership of its employment-related works. Pursuant to Regents' Standing Order 100.4 (gg), the President has responsibility for all matters relating to intellectual property, including copyrights in which the University is involved.

II. Purpose and Scope

This statement sets forth the University's Policy on the Copyright Ownership for works produced at, by, or through the University of California, its campuses, and the Department of Energy Laboratories. This Policy applies to University employees, students, and other persons or entities using designated University facilities or acting under contract with the University for commissioned works. This Policy addresses ownership of copyright; it does not address ownership or access to the underlying research results or data, as covered in Academic Personnel Manual Section 020, University Regulation 4. It does not change or affect obligations under the University of California Patent Policy. If, in any case, the application of the two policies gives rise to a conflict, the ownership principles of the Patent Policy shall apply.

III. Definitions

For purposes of this Policy, the following definitions shall apply:

A. Copyright

Copyright is the intangible property right granted by Federal statute for an original work fixed in a tangible form of expression. Copyright provides the owner with the following exclusive rights in a work: to reproduce, to prepare derivative works, to distribute by sale or otherwise, to perform publicly, and to display publicly.

B. Designated Academic Appointees

Those University employees who have a general obligation to produce scholarly/aesthetic works. Included are all appointees in the Professor series, In-Residence series, and the Professional Research series. Appointees in other academic titles may also be designated by the appropriate Chancellor or Vice President as having the obligation to produce scholarly/aesthetic works.

C. Independent Academic Effort

Inquiry, investigation, or research carried out by designated academic appointees to advance knowledge or the arts where the specific choice, content, course, and direction of the effort is determined by the designated academic appointee without direct assignment or supervision by the University. The general obligation of designated academic appointees to produce scholarly/aesthetic works is considered independent academic effort.

D. License

A contract in which a copyright owner grants to another permission to exercise one or more of the rights under copyright.

E. Originator(s)

One who produces a work by his or her own intellectual labor. When there is more than one originator, the ownership of each originator's contribution shall be considered separately pursuant to this Policy.

F. Permissible Consulting Activities

Professional or scholarly services provided by University employees for compensation, which do not interfere with regular University duties, do not utilize University resources, and are not prohibited by terms of the University employment contract or other applicable University agreements or policies.

G. Royalties

A payment made to an owner of a copyright for the privilege of practicing a right under the copyright.

H. Sponsor

An organization or agency which provides funding, equipment, or other support for the University to carry out a specified project in research, training, or public service pursuant to a written agreement. Sponsors include Federal, State, local, and other governmental entities as well as private industry, educational institutions, and private foundations.

I. University Facilities

Buildings, equipment, and other facilities under the control of the University, that are designated by the appropriate Chancellor, Laboratory Director, or Vice President as requiring an advance agreement, from non-University personnel and University personnel acting outside the scope of their employment, concerning the disposition of any copyrighted works that are originated with the use of these facilities. Such facilities normally include campus computer centers and normally do not include University libraries. For the purposes of this Policy, the Department of Energy Laboratories are considered to be under the control of the University.

J. University Funds

Funds, regardless of source, that are administered under the control, responsibility, or authority of the University.

K. University Resources

University funds or facilities.

L. Work

Any copyrighted expression, including literary work (written lectures are included); musical work including any accompanying words; dramatic work, including any accompanying music; pantomimes and choreographic work; pictorial, graphic, and sculptural work; motion pictures and other audiovisual work; sound recordings; and computer software.

IV. Copyright Ownership by Category of Work

A. Scholarly/Aesthetic Work

A scholarly/aesthetic work is a work originated by a designated academic appointee resulting from independent academic effort.

Ownership of copyrights to scholarly/aesthetic works shall reside with the designated academic appointee originator, unless they are also sponsored works or contracted facilities works, or unless the designated academic appointee agrees to participate in a project which has special provisions on copyright ownership pursuant to Section VI.C. of this Policy.

B. Personal Work

A personal work is a work that is prepared outside the course and scope of University employment (except for permissible non-University consulting activities) without the use of University Resources.

Ownership of copyrights to personal works shall reside with the originator.

C. Student Work

A student work is a work produced by a registered student without the use of University funds (other than Student Financial Aid), that is produced outside any University employment, and is not a sponsored, contracted facilities, or commissioned work.

Ownership of copyrights to student works shall reside with the originator.

D. Sponsored Work

A sponsored work is a work first produced by or through the University in the performance of a written agreement between the University and a sponsor. Sponsored works generally include interim and final technical reports, software, and other works first created in the performance of a sponsored agreement. Sponsored works do not include journal articles, lectures, books or other copyrighted works created through independent academic effort and based on the findings of the sponsored project, unless the sponsored agreement states otherwise.

Ownership of copyrights to sponsored works shall be with the University unless the sponsored agreement states otherwise. Any sponsored work agreement which provides for ownership by other than the University generally shall provide the University with a free-of-cost, nonexclusive, world-wide license to use and reproduce the copyrighted work for education and research purposes.

E. Commissioned Work

A commissioned work is a work produced for University purposes by individuals not employed at the University or by University employees outside their regular University employment.

When the University commissions for the production of a work, title normally shall reside with the University. In all cases, copyright ownership shall be specified in a written agreement. Any such agreement which provides for ownership by other than the University, generally shall also provide the University with a free-of-cost, nonexclusive, world-wide license to use and reproduce the copyrighted work for education and research purposes.

F. Contracted Facilities Work

A contracted facilities work is a work produced by non-University personnel or University personnel acting outside the course and scope of their employment, using designated University facilities pursuant to a written agreement.

Ownership of copyrights to contracted facilities work shall be governed by the agreement permitting use of the specified University facilities. Depending on the nature of the facility and the nature and extent of the use, the agreement may specify that ownership of resulting copyrights rests with the University, or the University simply may be paid a fee for the use of the facility, or some other arrangement may be appropriate.

G. Institutional Work

Except as otherwise provided in this Policy, the University shall own all copyrights to works made by University employees in the course and scope of their employment and shall own all copyrights to works made with the use of University resources.

H. Work Acquired by Assignment or Will

The University may acquire copyrights by assignment or will pursuant to the terms of a written agreement or testament. The terms of such agreements should be consistent with this Policy on Copyright Ownership and other University policies governing such acquisitions.

V. Copyright Ownership of Jointly Originated Works

Copyright ownership of jointly originated works shall be determined by separately assessing the Category of Work of each originator pursuant to Section IV. above. Rights between joint owners of a copyright shall be determined pursuant to copyright law.

VI. Copyright Agreement and Notification

A. Prior to any use of a University facility by non-University personnel or by University personnel outside University employment, a signed agreement shall be required that specifies the disposition of copyrighted works. University employees using University facilities for work outside University employment are responsible for bringing this to the University's attention so that an appropriate agreement for use can be negotiated. (See IV.F. above.)

B. Designated academic appointees participating in sponsored projects must have an agreement on file with the designated campus official which acknowledges: (a) individual and joint responsibility to produce and deliver sponsored works to the sponsor, as required by the terms of the sponsored project agreement, and/or to the University when so requested, and (b) that copyright ownership of sponsored works, unless reserved to the sponsor or otherwise provided for in the sponsored project agreement, shall vest in the University. (See IV.D. above).

C. Any designated academic appointee, other employee, or student wishing to participate in a specified University project that includes copyright ownership requirements other than provided in Section IV. of this Policy must sign an agreement indicating his or her concurrence with that project's special conditions. Chancellors and Vice Presidents shall designate special University projects that shall require such special copyright agreements.

VII. Release of University Rights

The University may release its ownership rights in copyrighted works to the originator(s) when, as determined by the University:

(a) there are no overriding or special obligations to a sponsor or other third party; and

(b) the best interests of the University would be so served. Such release of ownership rights must be contingent on the agreement of the originator(s) that no further effort on, or development of, the work will be made using University resources and that the University is granted a free-of-cost, nonexclusive, worldwide license to use and reproduce the work for education and research purposes.

VIII. Licensing and Royalties

The University may assign or license its copyrights to others. Royalty or income received from such transactions may be shared with the originator(s) of such works, as determined by the appropriate Chancellor, Laboratory Director, or Vice President, taking into account the originator's contribution, the University's costs, any provisions imposed by sponsors or other funding sources, and any other applicable agreements concerning the copyright.

IX. Copyright Responsibilities and Administration: Chancellors, Laboratory Directors, and Vice Presidents

For copyrighted works under their respective jurisdictions, Chancellors, Laboratory Directors, and Vice Presidents are authorized to:

A. Issue guidelines, implementing procedures, and supplementary local policies consistent with this Policy. These may include directives regarding licensure, disposition of royalty income, and other rights related to copyrights. Copies of such guidelines, policies and procedures shall be sent to the President;

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B. Identify campus, Laboratory, and other University facilities or projects as having special copyright assignment obligations and issue guidelines and implementing procedures regarding assignment of copyright in works produced using such facilities or projects;

C. Register copyrights, accept copyrights from third parties, and sell, assign, or grant licenses in the name of The Regents for any rights to copyrights; and

D. Release University ownership rights to copyrighted works which are in the name of The Regents of the University of California pursuant to Section VII.

YALE UNIVERSITY PATENT POLICY

Index:

- Encouragement of Patents
- Purpose of Patent Policy
- Procedure as to Inventions
- Division of Royalties
- General Research Support from Net Royalty Income
- Inventions not under University Auspices
- When Arrangements with Outside Organizations Override This Policy
- Inventions by Staff Resulting from Performance of the Responsibilities of Their Employment
- Governmental Rights in Certain Inventions
- Revocation or Amendment

1. **Encouragement of Patents.** In the course of teaching, research, and other intellectual and administrative activity by faculty, staff, fellows, students, and other individuals in the University community, discoveries or inventions both patentable and practical occur. Encouragement of such inventions in appropriate ways is both supportive of the public interest and consistent with the advancement of knowledge for its own sake, the primary purpose of teaching and research in a university. The University Patent Policy states the procedure to be followed in the administration of inventions which result from teaching, research, and other intellectual activity performed under University auspices except as further defined in paragraph 6.

2. **Purpose of Patent Policy.** The purposes of this University Patent Policy are (1) to help assure, in the public interest, that the patentability (or other means of exploitation) and practicality of inventions will be evaluated by qualified persons, and that the income from inventions will be used to support further research or other desirable University activities; and (2) to define remunerations to the inventor or inventors (hereinafter "The Inventor") and the University as long as the invention is productive of royalties.

3. **Procedure as to Inventions.** The University has established a Committee on Cooperative Research, Patents, and Licensing appointed from among members of the faculty and administration. One function of the Committee is to advise the University on matters of patents policy and administration. The University has also established an Office of Cooperative Research to facilitate transfer of its inventions/discoveries in the public interest.

a) Patent Applications. All inventions of the kind referred to in paragraph 1. shall be reported promptly in writing to the Provost through the Director of the Office of Cooperative Research. The Director, with the advice of the Committee on Cooperative Research, Patents, and Licensing, shall conduct an initial screening followed, when indicated, by a detailed evaluation of the invention. This may be done through an internal review, or by referral to an external organization that manages the evaluation. After the evaluation, the University may, alone or with the assistance of an external organization, make application for letters patent. Yale will retain title to all such patent applications and resulting patents. If the University decides that it does not wish, and has no legal obligation, to participate in the patenting or licensing of an invention, the University may release to the inventor the University's interest in the invention, and the inventor shall then be free to dispose of the invention as he or she wishes.

b) License Agreement. i) For a product or process that has been discovered, the University will seek to enter into appropriate licensing arrangements to commercialize the invention. The objective of the University is to achieve broad access to the results of its research. Therefore, as a general policy the University wishes to grant non-exclusive licenses to its inventions to insure the broadest availability to the public. Exclusive licenses, however, may be granted when there is clear evidence that this is the most effective route for arranging public access to the benefits of the invention. Any exclusive license agreement will be so drawn as to protect against failure of the licensee to carry out effective development and marketing within a specified time period. ii) In research grants or contracts sponsored by industrial companies there will be a section covering patents on future inventions, if any, as in all government grants. When deemed appropriate, the sponsor may be granted a license to any inventions developed during the term of the grant or contract in accordance with the policies outlined in i) above. Only upon specific authorization by the Provost will a sponsor be guaranteed an exclusive license in advance for any future inventions that might result from work conducted under a specific contract.

4. **Division of Royalties.**

a) Recovery of Expenses. Royalties, including license fees or other forms of advanced payments, resulting from licensing an invention shall be used first to offset out-of-pocket expenses incurred by the University in applying for, obtaining, and defending a patent and in developing and negotiating license agreements during the life of the patent. Expenses for this purpose will include fees paid to outside legal, consulting, and licensing organizations and any other out-of-pocket costs incurred by the University. The fees paid to the external individuals or organizations for such services may be of fixed dollar amount or may be in the form of an agreed-upon fraction of the gross royalty income, if any, or in any other form directly associated with commercialization/licensing of the invention. In addition, 10% of royalty income, after reduction as provided above for out-of -pocket expenses, received in any year from an invention made on or after April 11, 1992 shall be retained by the University and applied toward the general support of the Office of Cooperative Research; provided, that if the total of such recoveries in any year exceeds the Office's approved budget, the excess shall be allocated in a pro rata basis among those inventions from which it was recovered and shall be distributed as part of net income in accordance with subparagraph (b).

b) Net Income. After recovery of expenses by the University as provided in subparagraph (a), the remaining royalties will be designated net income.

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c) Distribution of Net Income. The royalty net income as defined above shall be divided between the inventor and the University as follows:

Royalty Net Income on the first $100,000 --

50% to the inventor(s)

50% allocated to the general support of University research, as described in paragraph 5.

Royalty net income on amounts between $100,000 and $200,000 --

40% to the inventor(s)

60% allocated to the general support of University research, as described in paragraph 5.

Royalty net income on amounts exceeding $200,000 --

30% to the inventor(s)

70% allocated to the general support of University research, as described in paragraph 5.

As used in this document, the term inventor may represent two or more individuals. These individuals will be expected to agree among themselves on the fractional distribution of the "inventor" share of any royalties. A written agreement must be signed by all the individuals involved, and deposited for the record in the Office of Cooperative Research. (Appropriate forms are available from the Office of Cooperative Research.)

d) Overriding Agreements with Third Parties. The foregoing provisions of this paragraph and the rest of this University Patent Policy are subject to the terms of applicable grants and contracts with third parties. See paragraph 7.

5. **General Research Support from Net Royalty Income.** The University's share of net royalty income will be used in support of research, or if not specifically prohibited by the funding agency contract, will accrue to the Science Development Fund or other appropriate research fund, and will be allocated by the Provost. Before allocating funds, the Provost shall consult with the relevant subdivision of the University concerning the research to be supported.

6. **Inventions not under University Auspices.** Inventions by University employees usually result from teaching, research, or other intellectual activity involving University facilities or personnel. Accordingly, all inventions by University employees must be reported to the Office of Cooperative Research. When the University determines that an invention by a University employee is unrelated to the activities for which the individual is employed and has not involved the use of University facilities, then the University will make no claim to such an invention. All inventions

made or conceived under circumstances involving University facilities or personnel are the property of the University.

7. **When Arrangements with Outside Organizations Override This Policy.** Arrangements with outside organizations that propose terms which are exceptions to this Policy must be submitted to the President or Provost for review by the University with the advice of the Committee on Cooperative Research, Patents, and Licensing. If approved by the University the terms shall be binding upon all members of the faculty, staff, and employees of the University conducting such research or utilizing such facilities, and will supersede the provisions of the patent policy to the extent that the terms are inconsistent therewith.

8. **Inventions by Staff Resulting from Performance of the Responsibilities of Their Employment.** Not infrequently, in the course of carrying out assigned responsibilities of their employment, staff employees may make commercially useful inventions or develop licensable property, (i.e., the employee received salary or wages for the specific function of developing the work which ultimately has commercial value). In such cases, there is no presumption that the University will share royalty (or other) income with the employee. Normally, the University does not share income with staff except in cases where it appears that the invention or commercially valuable property has not resulted from the performance of assigned duties. In these instances, the invention (or other commercially valuable work) will be reviewed by the Committee on Cooperative Research, Patents, and Licensing and a recommendation will be made to the Provost. In these cases, the division of royalties as specified in paragraph 4.C of this policy may not apply and the Provost may substitute different provisions after review of the recommendations of the Committee on Cooperative Research, Patents, and Licensing.

9. **Governmental Rights in Certain Inventions.** Current governmental regulations permit educational institutions to retain rights and title to patentable inventions which results from federally funded experimental, developmental and research work. Retention of rights by University is contingent upon the fulfilling of a number of obligations on the part of the University and of the inventor(s) and these obligations must be discharged in order to protect the interests of all parties. Though the University may retain rights and title to such patentable inventions, the federal government retains a royalty free license and places certain other restrictions upon the ultimate disposition of the patents(s). Details of the implementing regulations may be obtained from the Office of Cooperative Research. Incumbent upon members of the University community who apply for and receive federal funding to support research or who use federal monies in the conduct of their research is the requirement for written agreement that they will promptly disclose patentable inventions to the University and will execute all instruments necessary to protect the rights of the government and/or the University. Forms for this agreement will be provided to all faculty and will be available for other participants (i.e. collaborators, post-doctoral students, graduate students) from the appropriate departmental chairman or, at the Chairman's option, from the Departmental Business Office.

10. **Revocation or Amendment.** This patent policy is subject to revocation or amendment by the Corporation. In case of doubt as to the interpretation of this patent policy, a definitive

interpretation will be provided by the President or Provost after receiving the advice of the Committee on Cooperative Research, Patents, and Licensing. This patent policy is effective as to all inventions/discoveries made on or after June 1988.

IV. PATENTS

A. PRIORITY

B. BIOTECHNOLOGY

C. INSTITUTIONAL POLICIES

1. Carnegie-Mellon University
2. Arizona Board of Regents
3. University of California
4. University of Maryland

FIRST-TO-FILE VS. FIRST-TO-INVENT: WILL UNIVERSITIES BE LEFT BEHIND?*

INTRODUCTION

An inventor's right to patent an innovation always has inspired the entrepreneurs who built the United States into the super economic power that exists today. The federal Constitution itself recognizes this right by granting Congress the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."[1] For the ingenious, the patent system has become a means to maintain a temporal monopoly of their invention and reap its rewards.[2]

Since universities[3] often serve as centers for scientific research, patent revenue can provide badly needed funding for research.[4] For example, the University of Notre Dame substantially profited from its early Neoprene patents.[5] When World War II interrupted supplies of natural rubber, Reverend Julius Nieuwland's discovery of synthetic rubber proved to be an essential element of the United States' war efforts.[6] Over the lifetime of the patents (1931-48) the duPont Company paid royalties to Notre Dame amounting to $1,933,000. This substantially increased the research capacities of the University.[7]

Until recently, however, few patents had generated substantial profits for universities.[8] Low royalty income might be attributed to some slow-developing and high-technology inventions that grant big returns only after the patent has expired.[9] For example, Notre Dame's Neoprene

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[*] The author thanks Rev. Ernan McMullin, Director Emeritus, History and Philosophy of Science Department of the University of Notre Dame, for providing an historical perspective on patenting in American universities.

[1] U.S. Const. art. I, § 8, cl. 8.

[2] Inventors enjoy monopolies on their discoveries for a term of twenty years. Uruguay Round Agreements Act, Pub. L. No. 103-465, § 532, 108 Stat. 4809, 4984 (1994).

[3] Throughout this note, the word "university" is used to refer to all institutions of higher education.

[4] Ernan McMullin, *Patents at the University: Some Historical Notes* at 4 (1990) (unpublished manuscript, on file with the *Journal of College and University Law*).

[5] *Id.* at 6. Other notably successful university-originated patents include the discovery of insulin at the Connaught Laboratories of the University of Toronto, the discovery of a method of producing Vitamin D at the University of Wisconsin, and the discovery of the magnetic core memory at MIT. *Id.*

[6] *Id.* at 9.

[7] *Id.*

[8] *Id.* at 6.

[9] Victoria Slind-Flor, *The Trouble with Techno Transfers*, NAT'L L.J., Oct. 3, 1994, at A1.

patents reached their full economic value only after duPont chemists spent many years developing uses for the rubber.[10] Academics also traditionally assumed that new technology had to be placed into the public domain, specifically through publication, to maximize an invention's usefulness.[11] They favored free access to information to promote scientific advancement.[12] Conversely, scientists seeking competing patents might hold off announcing a discovery to verify their findings and prevent others from assailing their patent claims.[13] Since this type of secrecy contradicts normal academic research, many scientists continue to resist withholding their discoveries, which weakens their patenting position.[14]

Despite this reluctance, the promise of vast profits[15] has influenced universities to increase their patent activities dramatically.[16] University income from inventions increased 40% from 1992 to 1993.[17] This rise coincides with increasing licensing agreements between academia and corporations.[18] Unpatented technology either will "languish" or will fall out into the public domain without any hope of patent revenue for the university.[19]

As more university researchers and other inventors seek United States patents, they still must comply with the unique "first-to-invent" doctrine that determines priority for conflicting claims to a patent.[20] In contrast to the United States, almost all other nations of the world operate under a "first-to-file" system. The first person to file in the appropriate patent office obtains priority in a patent claim, regardless of who is the actual inventor. Proponents of this system argue that it is more efficient and eliminates uncertainties concerning which claimant has priority. In contrast, advocates of the United States' first-to-invent scheme argue that it is inherently more fair and also reduces the incentive to file spurious patent claims.[21] The two houses of Congress have debated the issue,[22] but have yet to change the American patent system to a first-to-file system.

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[10] McMullin, *supra* note 4, at 9.

[11] Slind-Flor, *supra* note 9, at A1.

[12] Edward L. MacCordy, *The Threat of Proposed Patent Changes to the Research University*, 20 J.C. & U.L. 295, 299 (1994).

[13] McMullin, *supra* note 4, at 10.

[14] *Id.*

[15] *Id.* at 3.

[16] Slind-Flor, *supra* note 9, at A1.

[17] Goldie Blumenstyk, *A 40% Increase in Income From Inventions*, CHRON. HIGHER EDUC., Nov. 9, 1994, at A37.

American universities made $318 million in royalties from faculty inventions during 1993. As of March 27, 1995, 1993 is the latest year for which data is available, according to the Association of University Technology Managers. Jon Marcus, *Universities Cash in on Patents and Inventions*, SOUTH BEND TRIB., Mar. 27, 1995, at A3.

[18] For example, Columbia encourages small companies to locate near the university and use its research expertise. Professors also seek to form companies based on their own discoveries. *Id.*

[19] Slind-Flor, *supra* note 9, at A1.

[20] 35 U.S.C. § 102 (1988). If two inventors claim the same invention, the United States Patent and Trademark Office will grant the patent to the inventor who first conceives and reduces the concept to practice (or was diligent in reducing the concept to practice), even though this inventor may have filed later than the other claimant.

Recent international trade agreements have inflamed the battle between patent systems. In particular, the General Agreement on Tariffs and Trade (GATT) mandates a change in United States patent law.[23] The pressure from industry on the United States government to harmonize its patent laws with the laws of other nations, however, may prove to be the final straw that will force the United States to adopt a first-to-file system.[24] The World Intellectual Property Organization (WIPO), of which the United States is a member,[25] drafted a treaty that requires such a change as part of an attempt to harmonize patent law.[26] Although the Draft Treaty has not yet come into force,[27] American participation in the Treaty is vital to the American economy because investment in world markets is becoming a necessity for economic survival,[28] especially if America wants to capitalize on its superiority in the area of developing technological ideas.[29] Thus, a chief policy concern of Americans negotiating the WIPO treaty is to maintain the American competitive advantage in high technology, especially when considering the declining competiveness of American manufacturing industries as compared with Japan and other countries.[30] Regardless of these policy concerns, however, the United States Patent and Trademark Office (PTO) has declared that it will continue to grant patents based on the date of invention.[31]

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[21] *See* MacCordy, *supra* note 12, at 299-301.

[22] Patent Law Harmonization Act of 1992, H.R. 4978 and S. 2605, 102d Cong., 2d Sess. (1992) (*companion bill*).

[23] Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, Dec. 15, 1993, 33 I.L.M. 81 [hereinafter GATT]; *See also* Peter Blackman, *Rethinking Patent Law: GATT May Force U.S. to Adopt 'First-to-File' Rule*, N.Y.L.J., January 13, 1994, at 5.

[24] Alex Barnum, *Proposed Treaty of Patents Under Fire*, S.F. CHRON., Dec. 20, 1993, at B1.

[25] Joseph Greenwald & Charles Levy, *Protection of International Property Rights: Paris Convention for the Protection of Industrial Property*, *in* 1 BASIC DOCUMENTS OF INTERNATIONAL AND ECONOMIC LAW 677 (Stephen Zamora & Ronald A. Brand eds., 1989).

[26] Draft Treaty Supplementing the Paris Convention for the Protection of Industrial Property as far as Patents Are Concerned, art. 9, INDUS. PROP., February 1991, at 122 [hereinafter WIPO Treaty].

[27] As of February 23, 1995, the Treaty had not yet concluded. There are no indications as to when the participating nations will resume negotiating the Treaty. Letter from Alfredo Ilardi, Head, Industrial Property Law Information Section, Industrial Property Law Department, World Intellectual Property Organization (Feb. 23, 1995) (on file with the *Journal of College and University Law*).

[28] Barnum, *supra* note 24, at B1.

[29] Lee Edson, *Patent Wars*, ACROSS THE BOARD, April 1993, at 24.

[30] Mitsuo Matsushita, *A Japanese Perspective on Intellectual Property Rights and GATT*, 1992 COLUM. BUS. L. REV. 81, 82.

[31] *Patent Office Backs Off*, INSIDE R&D, February 16, 1994, at 2.

While some of America's leading industrialists advocate a change to a first-to-file system,[32] other interest groups caution against such an allegedly drastic change in patent law, arguing that the system has operated successfully for over 150 years.[33] Universities are among those most actively opposing such a change.[34] Universities' pressure on professors to patent their inventions, they say, only would increase under a "race to file" system because professors would need to file their inventions promptly to protect their patent rights.[35] Are they justified in their concern that a change in the United States filing scheme would seriously disrupt the intellectual culture of university-based scientific inquiry?

This note addresses the universities' concerns in the first-to-invent versus first-to-file debate. Part I presents the relevant patent priority laws. Part II discusses the arguments on both sides of the issue. Part III relates these arguments to universities. Part IV considers how the universities' concerns are met by the WIPO Treaty, and proposes how these institutions might further protect their interests.

I. Priority Rules for Inventors

Although differences exist between the patent laws of different countries, the most important variation concerns the determination of priority for patent claimants. While the United States maintains a first-to-invent rule, other countries follow the first-to-file rule. Since most countries have adopted the latter rule, WIPO is pressuring the United States to accept it as well. While negotiating this issue, the United States sought and achieved concessions of its own to protect some equitable concerns that may not be addressed by a first-to-file system.[36] This section discusses the United States first-to-invent system and the current first-to-file systems in general. It also considers attempts to harmonize the two on an international level.

A. The United States Patent Law: First-to-Invent

The first-to-invent rule has been part of United States patent law since Congress enacted section 102 of the Patent Act of 1836.[37] Section 102(g) embodies this rule, granting a person a patent unless:

> before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed,

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[32] Barnum, *supra* note 24, at B1.

[33] Charles R. B. Macedo, Note, *First-to-File: Is American Adoption of the International Standard in Patent Law Worth the Price?*, 1988 COLUM. BUS. L. REV. 543, 545.

[34] Skip Kaltenheuser, *Keep 'First to File' Patent Rule Pending*, CHRISTIAN SCI. MONITOR, June 7, 1993, at 19.

[35] *Id.*

[36] *See infra* notes 138-151 and accompanying text.

[37] ROBERT A. CHOATE ET AL., CASES AND MATERIALS ON PATENT LAW INCLUDING TRADE SECRETS-COPYRIGHTS-TRADEMARKS 77 (3rd ed. 1987).

> or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.[38]

Thus, inventors must prove that they were the first to conceive the invention and the first to reduce it to practice.[39] If they were not the first actually to reduce the invention to practice, they must prove not only that they were the first to conceive it, but also that they were diligent in attempting to reduce the invention to practice at a time prior to another's conception of it.[40]

B. *First-to-File Rules*

All countries except the United States, the Philippines and Jordan employ a first-to-file priority rule.[41] Obviously, under a first-to-file system, the most important date is the filing date of the patent application. Courts normally would not turn to any prior dates of conception to decide priority.

Under the European Patent Convention (EPC), an inventor may file a single patent application in one language that is subjected to a single examination by the European Patent Office (EPO).[42] Although the EPC does not replace the patent systems of individual countries,[43] United States inventors could take advantage of this procedure by designating the EPO instead of individual countries in the application and, in effect, have a national patent in each European signatory country.[44] The European Community Patent Convention (ECPC),[45] however, goes beyond the former EPC by creating a unitary patent system for all European Union (EU) countries. Patent processes under the ECPC would not be subject to the law of individual EU countries.[46] During the period of transition between the EPC and the ECPC, a patent applicant from an outside country (e.g., an American inventor) must decide whether to pursue a group of national patents, an EU patent, or both.[47] Either way, the date of filing the application determines the right of priority of the patent. Furthermore, article 4 of the Paris Convention for the Protection of Industrial Property, whose members include the United States, Japan and ninety-five other countries, also operates under this principle.[48] The Paris Convention currently controls for those seeking patents in other countries.[49] In reality then, the American inventors already operate under a first-to-file system when pursuing patents outside its boundaries.

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[38] 35 U.S.C. § 102(g) (1988).

[39] Vito J. DeBari, Note, *Internationalization of Patent Law: A Proposed Solution to the United States' First-to-File Debate*, 16 Fordham Int'l L.J. 687, 690 (1993).

[40] *Id. See also* Patent and Trademark Office, U.S. Dep't of Commerce, Manual of Patent Examining Procedure ch. 715.07 (5th ed., 16th rev. 1994).

[41] The Advisory Commission on Patent Law Reform, A Report to the Secretary of Commerce, pt. 1, at 43 n.2 (1992) [hereinafter Patent Law Reform].

[42] Alan Swan & John F. Murphy, Cases and Materials on the Regulation of International Business and Science Relations 63 (1991).

[43] *Id.*

[44] *Id.* at 164.

[45] As of January 31, 1995, France, Germany, Greece, and Denmark had ratified the Convention. Telephone interview with Marianne Quirian, Legal Assistant, European Office for Patents (Feb. 9, 1995). The Convention is in effect for these four countries. The twelve remaining EU countries still must ratify the Convention for it to have total effect throughout the EU.

[46] *Swan & Murphy*, *supra* note 42, at 164.

C. *International Harmonization*

The international agreements of GATT and the WIPO Treaty affect United States patent law to some degree. The premise on which these agreements are predicated is to reduce the barriers that inhibit international trade and information exchange. For example, the Uruguay Round Agreements of GATT, which became United States law in December of 1994,[50] mandates a change in section 104 of the United States Patent Act.[51] Previously, section 104 effectively discriminated against foreigners seeking United States patents,[52] since foreign conception and reduction to practice could not be used to establish a date of invention in a conflict over patent priority.[53] While some (mainly Americans) deemed § 104 in its old form necessary to encourage American research and development,[54] it actually may have impeded growth into uncharted areas of science. American innovators may have been concentrating on obtaining American patents for foreign inventions instead of moving the technology beyond these inventions. Furthermore, the elimination of discrimination toward GATT members under the amended § 104 is more equitable to foreign inventors because now they can compete for patents on equal footing with American inventors. United States investors needed such a concession to gain inroads into markets abroad.

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[47] *Id.*

[48] Greenwald & Levy, *supra* note 25, at 677.

[49] *Id.*

[50] These amendments take affect one year after GATT takes effect in the United States. Uruguay Round Agreements Act, § 531. Therefore, these amendments apply to all patent applications filed after January 1, 1996.

[51] "Section 104 of title 35, United States Code, is amended to read as follows:
'§ 104. Invention made abroad
(a) In General.
(1) Proceedings
In proceedings in the Patent and Trademark Office, in the courts, and before any other competent authority, an applicant for a patent, or a patentee, may not establish a date of invention by reference to knowledge or use thereof, or other activity with respect thereto, in a foreign country *other than a NAFTA country or a WTO member country* [*i.e.*, signatory of GATT], except as provided in sections 119 and 365 of this title.' "
Id. (emphasis added).

[52]
> In proceedings in the Patent and Trademark Office and in the courts, an applicant for a patent, or a patentee, may not establish a date of invention by reference to knowledge or use thereof, or other activity with respect thereto, in a foreign country, except as provided in sections 119 and 365 of this title.

35 U.S.C. § 104 (1988).

[53] K. Bradford Adolphson, *First to Invent or First to File?: As the U.S. Considers a Change in its Uniquely Equitable First-to-Invent Patent System, the Watchword Must be Caution*, CONN. L.J., July 19, 1993, at 22A.

[54] *Id.*

The United Nations (UN) organized WIPO specifically to investigate and harmonize the various forms of intellectual property law throughout the world. International harmonization of patent law under the WIPO Treaty would provide all countries with several advantages. First, it would reduce the transaction costs incident to obtaining patents, and it would reduce the costs of defending patents worldwide.[55] Second, harmonization would enhance enforcement of patent interests abroad and generally would simplify patent rules.[56] Therefore, although the United States would have to concede its first-to-invent scheme under the treaty, it could take advantage of the benefits of harmonization.

The United States proposed that any country wishing to keep a first-to-invent system could do so under the draft treaty. All eighty-six of the other countries represented at the Convention opposed the idea.[57] The United States contingent to WIPO, however, sought and obtained concessions for its agreement to abandon its priority rule. One such provision is a one-year grace period permitting early publication[58] by the inventor, as currently exists under United States law.[59] The WIPO Treaty also recognizes the doctrine of equivalents;[60] under this doctrine, the patent examiner may look beyond the words of the application to determine the scope of the invention covered by the patent.[61] This enables an inventor to enforce a patent against a broader range of later related inventions. Despite the provisions that seem to help university inventors, some academics still oppose harmonization and want to retain the established first-to-invent system.[62]

II. First-to-Invent v. First-to-File

This section presents the arguments for each system as generally related to all affected parties including industry, independent inventors, and universities. The particular effects on universities are discussed in the following section.

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[55] Macedo, *supra* note 33, at 581.

[56] *Id.* For example, inventors could file patents in other countries using procedures similar to those of their own country.

[57] W. John Moore, *Reinventing Patents*, Nat'l L.J., March 20, 1993, at 694.

[58] WIPO Treaty, *supra* note 26, at 123. Early publication involves revealing one's invention in a publication before filing the patent with the PTO.

[59] 35 U.S.C. § 102(b) (1988). *See also infra* notes 140-145 and accompanying text.

[60] WIPO Treaty, *supra* note 26, at 127.

[61] DeBari, *supra* note 39, at 695.

[62] MacCordy, *supra* note 12, at 301.

A. *The Advantages of First-to-Invent*

James Chandler, director of the Computer Law Program at George Washington Law Center, argues, "[A]ny system preserving the rights of someone who isn't the first to invent is of dubious constitutionality."[63] He argues from the constitutional text[64] that the right to patent an innovation should belong to the one who first invented it, not the one who won the race to file the invention with the PTO. The framers of the United States Constitution unanimously adopted the Patents and Copyright Clause without debate, thus shedding no light on the original intent of the framers.[65] They adopted the Clause in light of seventeenth-century England's Cases of Monopolies[66] and Statutes,[67] which did not explicitly restrict patent grants to only the true and first inventors.[68] Since the time of the framers, the goal of patent legislation has been to balance the advantages of the patent incentive with the disruptive effect of monopolies that contravenes an economically efficient free-enterprise system.[69] This goal could continue within a first-to-file system.

Despite Chandler's constitutional argument, the PTO currently issues patents to those who may not be the true inventors. For example, patents are not granted if the inventors do not have independent corroboration for their inventions.[70] A general allegation by an inventor as to the date of invention is not sufficient for the PTO to grant an invention. The inventor must show facts in the form of exhibits accompanying the affidavit or a declaration.[71] Another person could, therefore, patent the discovery of one who invents first if the former shows proper documentation and the latter merely alleges the discovery. Additionally, the PTO does not grant patents to foreign inventors who fall within section 104 of the Patent Act.[72] A foreign scientist who invents first may be discriminated against in favor of an American scientist who invents later. Furthermore, a foreign patent recipient operating under a first-to-file system may not be the true inventor. Section 365(a) gives priority to the national application filed first.[73] Thus, the PTO could grant a United States patent to one who filed first in a foreign country as opposed to the true inventor. These three possibilities offer evidence that the United States system does not always grant a patent to the one who first invents.

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[63] Don Banner & Skip Kaltenheuser, *The Race Between First-to-Invent and First-to-File*, CONN. L. TRIB., October 18, 1993, at 19.

[64] Congress has the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. CONST. art. I, § 8, cl. 8.

[65] Macedo, *supra* note 33, at 562.

[66] Darcy v. Allin, 77 Eng. Rep. 1260 (K.B. 1602) ("Cases of Monopolies").

[67] Statute of Monopolies, 21 Jac. I, Ch. 3 (1624).

[68] Macedo, *supra* note 33, at 561-63.

[69] *Id.* at 561.

[70] *Id.* at 565.

[71] *Ex parte Saunders*, 1883 C.D. 23, 23 O.G. 1224.

[72] *See supra* notes 50-54 and accompanying text.

Under a first-to-file system, to be sure, a more distinct possibility exists of someone patenting a discovery of the true inventor if the former beats the latter to the patent office.[74] Inventors also may not have the time to calculate the commercial viability of an invention before determining whether to spend time and money on a patent application. Under a first-to-file system they cannot delay in filing their patent applications or they will expend valuable resources unnecessarily in the process.[75]

But these undeniable consequences of a first-to-file system do not undermine its unconstitutionality. Considering the constitutional purpose of encouraging the "Progress of Science,"[76] granting a patent to one who first discloses the invention to the public may be just as reasonable as granting a patent to one who first invented.[77] Considering the interests of experts in the inventor's field and those of the general public who will benefit from the expedient use of the invention, a first-to-file system is both equitable and consistent with the requirements of the Constitution.

Quite apart from constitutional arguments, some critics of the first-to-file system argue that the volume of filings will increase dramatically. Specifically, this might lead to an increase in filings that may lack merit. Under a first-to-file system, however, applications still must meet the general patentability requirements before the PTO will grant the patent.[78] Critics of the first-to-file rule further argue that such a system would necessitate more filings to protect fully one's invention as its potential uses evolve and fully develop.[79] Some experts counter that many first-to-file countries, including Germany, do not have an excessively high number of patent applications,[80] and that Japan's exorbitant number of applications is due largely to its incremental approach to filing patent claims.[81]

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[73] "In accordance with the conditions and requirements of [subsections (a) through (d) of] section 119 of this title, a national application shall be entitled to the right of priority based on a prior filed international application which designated at least one country other than the United States." 35 U.S.C. § 365 (a)(1988). *See also* Amendments from the Uruguay Round Agreements Act, § 532(b).

[74] Edson, *supra* note 29, at 24.

[75] DeBari, *supra* note 39, at 703.

[76] U.S. CONST. art. I, § 8, cl. 8.

[77] Macedo, *supra* note 33, at 577.

[78] For the PTO to grant a patent, the invention must be useful, new, and non-obvious. 35 U.S.C. §§ 101-103 (1988).

[79] Debari, *supra* note 39, at 704.

[80] Moore, *supra* note 57, at 694.

[81] *Id.* In the United States, patents can contain (and often do contain) more than

Furthermore, critics add that under a first-to-file rule, American inventors would lose the filing race to other countries that have lived under this rule for many years. These countries, they say, are well adapted to filing applications quickly and efficiently. The Japanese are particularly advanced in this regard with 25,000 to 50,000 patent filers[82] and computerized systems for instant transmission of applications.[83] In response, it can be said that an extensive United States filing system already is operating and is very capable of handling some increase in filings. The current first-to-invent system still requires an inventor to file an application to patent an invention. Filings now determine the vast majority of interference proceedings.[84]

Some patent lawyers, whose livelihood depend on patent interferences, are among the harshest critics of the first-to-file system, since it may reduce the complexity, and thus, the cost, of litigating claims under the first-to-invent system.[85] One expert argues that the average impact of a switch to a first-to-file system on each practitioner who does a great deal of interference work would be $25,000 per year.[86] This group, however, includes only a handful of attorneys, and the increase of patent work overseas could offset their loss in income. Furthermore, the reduction of costly interferences would attract potential investors to finance patents.[87] Most importantly, the patent system exists to encourage the progress of science, not to enrich lawyers.

A more legitimate complaint of the patent bar is that a first-to-file system would increase the likelihood of malpractice suits against patent

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one claim. In Japan, an inventor would need to file each claim in a separate patent application.

[82] "Patent filers" refers to the administrative personnel in the patent office who assist in receiving and filing patent applications.

[83] Kaltenheuser, *supra* note 34, at 19.

[84] An interference proceeding is a determination of priority between competing claims for a patent.

[85] Macedo, *supra* note 33, at 575.

[86] *Id.* Charles R. B. Macedo arrives at this figure as follows:

> The average legal cost of an interference that goes to final hearing has been estimated to amount to $100,000, and the average legal cost for all other interferences has been estimated at $25,000. On average, fewer than 300 interferences are declared per year, of which fewer than 100 decisions, after final hearing by the Patent Appeal and Interferences, will be handed down per year. Therefore, the total cost to all parties is:
>
> $100,000 x 100 = $10,000,000 for cases that went to final hearing
> + $25,000 x 200 = $ 5,000,000 for all other cases
> = $15,000,000 total cost to private parties

Id. at 570 n.138. The $25,000 per practitioner is obtained by dividing the $15,000,000 total cost by 600 practitioners. *See also* 1987 COMM. REP. A.B.A. SEC. PATENTS TRADEMARKS AND COPYRIGHTS 42-43 (Aug. 6-12, 1987) [hereinafter A.B.A.]; Macedo, *supra* note 33, at 575 nn.162-163.

[87] Macedo, *supra* note 33, at 575 nn.162-163.

attorneys who fail to file promptly.[88] Diligence in investigating the validity of a claim would not be a defense, since it is not a factor in determining the priority of an invention.[89] Since the other countries operating under a first-to-file system are not as litigious as the United States, they have not been faced with this problem. Perhaps malpractice insurance[90] or an immediate provisional filing[91] system could handle this dilemma. In any event, the client would be better off overall with reduced interference costs.

B. *The Advantages of First-to-File*

Supporters of the first-to-file system include most of corporate America, the National Association of Manufacturers, the International Property Organization,[92] and the Intellectual Property Law Section of the ABA.[93] They note that the rest of the world operates successfully on a simpler and more efficient system. While some may claim that the first person to invent is often not the first to apply for a patent,[94] the truth is that the United States currently operates under a de facto first-to-file system because more than 99.9% of patent applications raise no dispute as to the identity of the inventor.[95] A rebuttable presumption exists that the date of the application is the same as the date of the invention.[96] Additionally, United States inventors with commercial interests abroad now must play the first-to-file game with respect to those countries in which they wish to obtain a foreign patent.[97] A first-to-file system at home would encourage early filings worldwide.[98]

First-to-file systems also offer a faster and more cost-effective means to determine patent priority. Under the first-to-invent rule, interference proceedings require investigating the date of conception, the date of reduction to practice, and whether the first to conceive acted diligently to reduce the invention to practice.[99] This often involves searching through countless notebooks and other records, thus dramatically increasing the cost of litigation.[100] Conversely, the first-to-file system offers a simple and relatively inexpensive basis for determining priority.[101] It also encourages inventors to file patents earlier, disclose their findings sooner, and thus, speed the progression from idea to finished product.[102]

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[88] DeBari, *supra* note 39, at 704.

[89] *Id.* at 705.

[90] Attorney malpractice insurance handles more serious levels of liability. For example, attorneys who underwrite public offerings in which they rely on corporate statements of financial solvency now are subject to liability. Following Kaye, Scholer, Fierman, Hays and Handler v. Ameritas Financial Services, No. 93-C0222, 1993 W.L. 25860 (S.D.N.Y July 2, 1993), attorneys will need to obtain insurance to protect themselves from shareholders who might sue them when a corporation becomes insolvent.

[91] See *infra* notes 146-148 and accompanying text.

[92] Barnum, *supra* note 24, at B1.

[93] Moore, *supra* note 57, at 694.

[94] Adolphson, *supra* note 53, at 22A.

[95] DeBari, *supra* note 39, at 707.

[96] Lacotte v. Thomas, 758 F.2d 611 (Fed. Cir. 1985).

[97] DeBari, *supra* note 39, at 706.

[98] *Id.*

[99] Adolphson, *supra* note 53, at 22A.

In addition, the first-to-file system increases the certainty that once a patent is issued, it will withstand legal challenges because of a fixed date of priority.[103] Whether the inventor is a big or small entity, the certainty of one's proprietary rights is critical to finding out the real value of the patent.[104]

C. *Individual Inventor Concerns*

The United Inventors Association of the United States is a leading critic of the first-to-file rule, claiming that such a race to file patents benefits large corporations solely.[105] Small investors with limited resources argue that they need time to develop and prove to potential investors that their inventions are worthy of the investor's largesse.[106] Consequently, any delay in filing could further the corporate economic espionage that has already given rise to costly litigation.[107] Thieves, they say, could claim a patent in the interim between the invention's formation and the patent filing.

Inventors have complained that the PTO already has become a large revenue raiser as it charged $3,750 in 1992 for the average patent application, up from $165 in 1981.[108] These costs often pale in comparison to lawyer fees for drafting and defending patents.[109] Only two percent of all patents are successful enough to repay just the legal costs and fees over the seventeen-year life of the patent.[110] Small entities fear that an increase in national filings for each invention, coupled with foreign application filings, would further inundate them in the patenting process.

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[100] Macedo, *supra* note 33, at 570.

[101] *Id.* at 707.

[102] Edson, *supra* note 29, at 24.

[103] Barnum, *supra* note 24, at B1.

[104] A.B.A., *supra* note 86, at 35.

[105] Moore, *supra* note 57, at 694.

[106] DeBari, *supra* note 39, at 711.

[107] The White House Office of Science and Technology estimated in 1991 that economic espionage costs U.S. companies up to one hundred billion dollars a year in lost market share, contracts, and research and development. Banner & Kaltenheuser, *supra* note 63, at 19.

[108] Moore, *supra* note 57, at 694.

[109] If a patent application invites an interference battle, the average legal counsel cost for an interference going to a final hearing is $100,000 ($25,000 if the interference is settled before a final hearing). A.B.A., *supra* 86, at 42. If a patent infringement case develops, legal costs may skyrocket. Polaroid Corp. v. Eastman Kodak Co., 641 F. Supp. 828 (D. Mass. 1985), *aff'd*, 789 F.2d 1556 (Fed. Cir. 1986), involved a high-priced legal battle over instant photography patents. The case ushered in an era of extended and expensive patent infringement suits. Fred Warshofsky, The Patent Wars: The Battle to Own the World's Technology 245 (1994). More than 100 depositions were taken by dozens of lawyers. *Id.* at 80. The thousands of documents submitted included lab notebooks, patent applications, and other highly technical memoranda. *Id.* The 75-day trial, involving many experts and complex testimony, culminated with the presiding

Low-fee provisional filings would provide inventors with enough time to finance their ventures and determine their potential validity.[111] They could also take advantage of an expanding world market and create more economic use of their patents. Furthermore, a first-to-file system would spare inventors much of the expensive and rarely successful litigation surrounding complex interference proceedings.[112]

Independent of the priority rules debate, options are available to alleviate some of the financial burden on small entities. First, the PTO could subsidize small investors with public funds.[113] Small entities also could join self-help groups that offer advice on patenting. With at least 480 such organizations in the United States and Canada, most investors adequately can obtain low-cost advice relating to their patenting concerns.[114]

III. UNIVERSITIES AND PRIORITY RULES

Some academics claim that they will be slighted under a first-to-file system and that they have been underrepresented in voicing their concerns in the priority debates. Edward MacCordy, who represented university researchers in the Advisory Commission on Patent Law Reform, resigned from the Commission after it did not allow him to publish a dissent to the report.[115] MacCordy champions the position that the United States should not change to a first-to-file system.[116] He argues that the worry of racing to file an invention with the PTO will

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judge issuing a 122-page Memorandum of Decision. *Id.* at 81. After the initial decision, which ruled that Kodak had infringed on seven of ten Polaroid patents, Polaroid unsuccessfully attempted to recover from Kodak its reasonable attorneys' fees of $48,000,000. Polaroid Corp. v. Eastman Kodak Co., No. 76-1634-MA, 1990 WL 324105, at *82-83 (D. Mass. 1990). Kodak's legal costs were even higher since Kodak had engaged a large amount of prior legal work to assure itself that its actions would not infringe the Polaroid patents. WARSHOFSKY, *supra*, at 84. Corporations now spend significant amounts of money to defend their patents and protect themselves from infringement battles. For example, Intel allocates more than $100 million to its litigation budget, mostly to defend its intellectual property rights. *Id.* at 254.

[110] Kaltenheuser, *supra* note 34, at 19.

[111] *See infra* notes 146-148 and accompanying text.

[112] Guy Webster, *U.S. Patent Boss is Pushing Changes*, ARIZ. REP., March 6, 1994, at H4.

[113] A.B.A. Address by Former Commissioner Manbeck, PAT., TRADEMARK AND COPYRIGHT J., September 3, 1992, at 464.

[114] Robert Buderi, *American Inventors Are Reinventing Themselves*, BUS. WEEK, January 18, 1993, at 78.

[115] Kaltenheuser, *supra* note 34, at 19.

[116] MacCordy, *supra* note 12.

impair the free flow of research information in a university environment.[117] On the whole, however, universities' inventors should benefit from the first-to-file system. The university point of view parallels the concerns of small entities because their respective resources are limited. Both interest groups should take advantage of the reduction in total patenting costs that will result from fewer interference proceedings.

A. *Universities and Patents: The World of Commercialization*

On its face, the patent system grants an entity the exclusive right to use an invention in a monopolistic fashion for a limited period of time. This appears to run counter to the ideals of those in the research community who seek to promote technological advancement through freedom of access for all investigators.[118] The stated constitutional purpose of patents, moreover, is to promote the progress of science.[119] Courts thus far have articulated two ways in which patents promote scientific progress. First, the possibility of obtaining a monopoly through patentable inventions gives an incentive to invest in research.[120] Second, the patent system promotes disclosure that enhances the general public knowledge.[121]

The dilemma of reconciling the profit-maximizing perspective with the information-diffusing perspective has engulfed universities in recent years. University scientists traditionally have opposed patenting their inventions because unimpeded sharing of discoveries among one's peers in science "is functionally necessary[,] . . . for otherwise parts of scientific theory would be removed from the public domain and thereby the advancement of science would be hindered."[122] Traditionally, academics have eschewed direct economic gain, relying on peer recognition to stimulate their inventive impetus.[123]

Now, however, universities look beyond the bare discovery to the commercial rewards of an invention. If a university does not patent an invention, another entity may collect hefty royalties from a submarine patent.[124] Large academic centers support the expanding partnership between industry and universities.[125] The impact of this nation's universities on the commercial world is felt particularly in the field of biotechnology, in which the United States is a world leader.[126] Universities increasingly use commercial patents and their ensuing licenses to offset dwindling federal grant funding.[127] For example, Columbia University's annual revenues from patents and licenses have risen from $14 million in 1992 to $21 million in 1993.[128]

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[117] *Id.* at 299. He further elaborates, "The university researcher, the independent inventor and the scientist in the government lab are not disadvantaged under the first-to-invent system by lack of secrecy, large directed research-and-development resources and quick-response legal staffs such as those maintained by industrial corporations." *Id.*

[118] Rebecca S. Eisenberg, *Patents and the Progress of Science: Exclusive Rights and Experimental Use*, 56 U. CHI. L. REV. 1017, 1017 (1989).

[119] *See supra* note 1 and accompanying text.

[120] Eisenberg, *supra* note 118, at 1024. *See also* Kewanee Oil Co. V. Bicron, 416 U.S. 470, 480, 94 S. Ct. 1879, 1886 (1974).

[121] Eisenberg, *supra* note 118, at 1024. *See also* Kewanee Oil, 416 U.S. at 480-81, 94 S. Ct. at 1886.

[122] BERNARD BARBER, SCIENCE AND THE SOCIAL ORDER 206 (2d ed. 1962). *See also* Eisenberg, *supra* note 118, at 1047 n.128.

[123] Jonathan R. Cole, *Balancing Acts: Dilemmas of Choice Facing Research Universities*, DAEDALUS, September 22, 1993, at 27.

Scientists with extraordinary capabilities are now the direct beneficiaries of patents and have real stakes in the economic success of the patent.[129] Universities also have been home to technology-transfer programs that are vital to publicly funded research.[130] If a university can benefit from its own commercialism, then it should have to play by the appropriate rules—that is, the rules by which industry plays.

B. *The Universities' Perspective in the Priorities Debate*

Lack of resources, however, still constrains universities more than it constrains corporations. Small universities and colleges are particularly vulnerable, since they often lack any substantial corporate sponsorships. Limited resources restrict these universities just as they restrict small entities. Volunteers and students, who are not under profit-making pressures, often assist academics. Their academic goals might not coincide with the commercial viability of their work. Faculty members themselves often are slow to report patentable inventions, and their institutions may delay the follow-up.[131]

Academia is supposed to prosper in an environment in which people readily exchange information. Consequently, university labs, due to their open academic nature, are more exposed to acts of corporate espionage than are industrial labs.[132] Some fear that a first-to-file system would encourage such activity and chill the free sharing of ideas and research.[133] Competing foreign corporations could find universities easy prey for patent flooding, that is, the patenting of slight variations of someone else's proprietary technology.[134]

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[124] A submarine patent is one issued years after the original inventor introduced the previously unpatented technology to the public. Jeanne Saddler, *GATT Proviso Stirs Ire of Inventors and their Backers*, WALL STREET J., Oct. 5, 1994, at A1.

[125] Cole, *supra* note 123, at 27.

[126] *U.S. Industry Could Lose Ground to Japan by 2000 Unless Changes Are Made, NRC Says*, INT'L TRADE REP., May 20, 1992, at 899 [hereinafter *Changes*].

[127] Wendy Hower, *There's Gold in Them There Laboratories*, BOSTON BUS. J., June 8, 1992, at 1.

[128] Blumenstyk, *supra* note 17, at A37.

[129] *Id.*

[130] Hower, *supra* note 127, at 1.

[131] Peter Blackman, *Rethinking Patent Law: GATT May Force U.S. to Adopt 'First to File' Rule*, N.Y.L.J., Jan. 13, 1994, at 5.

[132] Kaltenheuser, *supra* note 34, at 19.

[133] *Id.*

Although these dangers currently may exist in foreign patent filing systems, appropriate safeguards may prevent this.[135] Universities also would benefit considerably from the efficiency and certainty offered by the first-to-file rule. Reduced interference costs could enable them to file more patents. In addition, encouraging prompt patent filings promotes the overall growth of scientific knowledge. If an academic is researching in a competitive field in which the PTO frequently issues patents, the academic has an incentive to protect the invention quickly. Otherwise, someone else could claim and file the patent in the interim between when the academic invents and files that invention. Universities should keep up with the latest patent filings not only to protect their own patent interests but also to keep pace with the latest innovations in technology. This would enable them to increase their knowledge in their particular fields. Of course, academics can opt not to patent their inventions, choosing instead to "embody the ideal of disinterested research."[136] In the real world, however, competition for vital research funding will supersede this outdated expectation.[137]

IV. UNIVERSITY SURVIVAL IN A FIRST-TO-FILE SYSTEM

Universities are well-equipped to prosper in a first-to-file system and should prosper more than in the present first-to-invent system. Academia in Europe and the rest of the world has operated under a first-to-file system for many years. The WIPO Treaty also contains some provisions of which universities could take advantage. The Clinton administration has asked that the conference to conclude the draft of the WIPO Treaty be deferred until the United States receives something of value in return for its agreeing to use a first-to-file system.[138] Several such concessions already have been negotiated successfully, including a twelve-month grace period. Most importantly, university officials could properly manage technological developments in the lab so they could file patent applications as soon as possible.[139]

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[134] *Id.*

[135] *See infra* notes 140-155 and accompanying text.

[136] McMullin, *supra* note 4, at 16.

[137] *Id.*

[138] William J. Gilbreth, *Global Harmony*, NAT'L L. J., November 1, 1993, at S22.

[139] In the 1930s, the National Research Council proposed to create a national holding body to manage patents, particularly university-originated patents, in the public interest. The project failed due to lack of support. Today's more contentious and less trusting environment might not provide the necessary support either. McMullin, *supra* note 4, at 19. *See also* Charles Weiner, *Universities, Professors and Patents: A Continuing Controversy*, TECH. REV., Feb. 1986, at 39. If universities want to protect their patent rights without hiring a team of patent lawyers, however, they should seriously consider such a proposal.

A. *Grace Period*

The university hierarchy often pressures academics to publish their findings. In the United States, researchers typically publish their discoveries first, and file for a patent later.[140] Under first-to-file systems lacking a grace period, these inventors would lose their patent rights because they must first officially publish with the patent office.[141] Some have suggested that publication in a peer-reviewed journal could act as a form of notice, thus meeting the purpose of filing.[142]

United States negotiators successfully obtained more encompassing protection from the Europeans and Japanese in the WIPO Treaty by securing a twelve-month grace period from the point of discovery of the invention.[143] The grace period permits the inventor to disseminate research results within one year of filing a patent application for the discovery.[144] The grace period also protects the inventor's rights if a third party publishes a disclosure of the same invention within one year of the filing of the original inventor's application.[145]

B. *Reduction in Filing Costs*

The Advisory Commission on Patent Law Reform also conditioned United States adoption of the WIPO Treaty on a provisional patent application procedure.[146] Patent filing costs may discourage academics from filing promptly because they may want to further verify their findings before investing in a patent. They also may need time to secure adequate financing. A low-fee provisional application would allow an applicant one year to meet the full requirements of the regular application.[147] Hence, inventors could afford to file at every step of development as long as they file the final application in time.[148]

Without harmonization, universities have been reluctant to file abroad due to filing costs. Simply translating a patent application into another language costs about $4000.[149] The Japanese have agreed, however, to allow initial patent filings in English if the United States adopts a first-to-file system.[150] The option of filing one patent for EU countries also alleviates translation costs and multiple filings in those European countries. Previous German patent office fees totaling $30,000 indicates why costs prevented financially-strapped universities from filing in Europe.[151] The WIPO Treaty could offer universities an opportunity to file throughout the world at a considerably reduced cost.

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[140] Elliot Marshall and David P. Hamilton, *Patent Games: Raising the Ante*, SCI., July 5, 1991, at 20.

[141] *Id.*

[142] *Id.*

[143] *See* WIPO Treaty, *supra* note 26, at 123.

[144] DeBari, *supra* note 39, at 699.

[145] *Id.*

[146] *See* PATENT LAW REFORM, *supra* note 41, at 44. *See also* Patent Law Harmonization Act of 1992, H.R. 4978 and S. 2605, 102d Cong., 2d Sess. § 3(b) (1992). As of June 8, 1995, provisional patent applications will be available to American inventors. Uruguay Round Agreements Act § 532(b).

[147] *Id.* at 46.

[148] Banner & Kaltenheuser, *supra* note 63, at 19.

[149] *Id.*

[150] Webster, *supra* note 112, at H4.

C. *Managing University Discoveries for Future Patentable Use*

Universities can develop research guidelines that can facilitate transforming their technological achievements into patentable products. In particular, they should set specific standards of conduct for foreign researchers in United States laboratories and establish other measures to ensure reciprocal access.[152] The National Research Council has concluded that the United States government should consider developing a cooperative technological strategy with industry, giving special attention to the unique contributions made by small entrepreneurial firms and research universities.[153] Additionally, individual engineers and scientists should familiarize themselves with what constitutes a patentable discovery and with the process of obtaining a patent.[154] Academics also should take full advantage of technology transfer programs and self-help groups organized for small entities. Coordination of university activities promotes efficiency in scientific developments, but this may hinder some of the individualism and independence that has traditionally been a feature of university research.[155] Nevertheless, university officials can induce maverick professors to patent their discoveries promptly by rewarding them for a patented invention.

CONCLUSION

Since the Patent and Trademark Office operates under a *de facto* first-to-file system already, a *de jure* change to the system would not drastically affect the current patent process. Reduction in costs because of less complex interference procedures would be the biggest impact. Additionally, inventors would applaud the speed and certainty available in a first-to-file system. This priority rule would encourage inventors to file quickly for fear of losing their invention.[156] Prompt disclosure of discoveries clearly promotes technological development through speedy dissemination of ideas throughout the scientific community. Perhaps Canada provides the best indicium of how the United States would react to such a system. Canada recently converted to the first-to-file rule and the academic scientific community has responded positively to the change.[157] The adverse effects that critics of the first-to-file system predicted have not materialized.

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[151] Banner & Kaltenheuser, *supra* note 63, at 19.

[152] *Changes*, *supra* note 126, at 899.

[153] *Id.*

[154] *See* Wayne S. Breyer, *Know the Basics to Protect Your Inventions*, CHEM. ENGINEER, September 1993, at 120.

[155] Eisenberg, *supra* note 118, at 1066.

[156] A.B.A., *supra* note 86, at 35.

Universities may have the most to gain if the United States switches from the current first-to-invent rule. This country can ill afford to become entangled in multimillion dollar interference litigation. This system seriously devalues a validly issued patent because some university patent holders may not be able to defend it adequately. International harmonization also gives universities an opportunity to use their patents in remote markets that were previously impregnable due to foreign patent law discrimination or outlandish filing costs. The WIPO Treaty additionally contains the pro-academic provisions of a twelve-month grace period and low-fee provisional applications.

If the United States does not harmonize, filings in other countries will remain unrealistic and unattainable for inventors operating under limited budgets. Furthermore, foreign inventors may claim patents in discoveries previously reserved for domestic researchers because GATT terminates foreign discrimination previously tolerated under section 104 of the Patent Act. The scientific community must realize that much of the informality that previously existed in international science will be replaced by more formal arrangements, thus providing a basis for a fairer and more productive international system of research.[158] The ever-increasing university-corporate union necessitates such formal agreements and signifies a growing commercial presence in university-based research. Since the patent is a prominent commercial tool in this relationship, university inventors are involuntarily connected to the commercial world. Consequently, corporate America and American universities should work together to ensure that the first-to-file system will work for all inventors, regardless of their financial capabilities.

MATTHEW P. DONOHUE*

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[157] Robert A. Armitage et al., *Global Intellectual Property is Dampening Piracy but 'Harmonization' Would Complicate U.S. Law*, CORP. LEGAL TIMES, June 1993, at 37.

[158] E. Daniel, Jr., *The Race for the "Gold" in Research*, SCI., March 6, 1992, at 1189.

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THE WRITTEN DESCRIPTION REQUIREMENT OF 35 U.S.C. § 112(1): THE STANDARD AFTER *REGENTS OF THE UNIVERSITY OF CALIFORNIA V. ELI LILLY & CO.*[*]

Mark J. Stewart[**]

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Note

INTRODUCTION

The field of biotechnology is progressing at an extremely rapid rate. This technology has tremendous potential for medicine, agriculture, and industry. Because United States academic and industrial research institutions are worldwide leaders in the development of biotechnology, the United States Patent and Trademark Office ("USPTO") and the Federal Courts have been at the forefront of the world's legal systems in developing patent laws to protect these types of inventions. The particular nature of biotechnology inventions, especially those involving recombinant deoxyribonucleic acid ("DNA") and protein, has necessitated the creation of specific patent laws and rules to govern their protection.[1] In addition, the way in which traditional legal principles should be applied to biotechnology inventions is uncertain.[2]

Out of the thousands of gene patents issued, only a few DNA patents have been challenged in the courts. Thus, courts need to continue developing the law to enable biotechnology companies to secure meaningful patent protection on DNA and protein related inventions.[3] The tremendous amount of time and money spent by companies to bring a biotechnology invention to market emphasizes the importance of providing a predictable approach to the patenting of DNA and proteins.

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[1] See, e.g., 35 U.S.C. § 103(b) (Supp. II 1996); 37 C.F.R. § 1.801-.809 (1997) (discussing the deposit requirement for biotechnology inventions).

[2] See Rebecca S. Eisenberg & Robert P. Merges, "Opinion Letter As To the Patentability of Certain Inventions Associated With the Identification of Partial cDNA Sequences," 23 *Am. Intell. Prop. L. Ass'n Q.J.*, Winter 1995, at 1, 3-51 (discussing the application of the utility, novelty, nonobviousness, and disclosure requirements to inventions involving DNA sequences).

[3] Currently, approximately 350 "huge sequence" patent applications are pending in the USPTO with over 500,000 sequences. In addition, over 5000 applications have been filed for entire genes with

The courts have attempted to provide some guidance in this area of patent law by focusing on the application of the written description requirement in the Patent Act, 35 U.S.C. § 112.[4] This Note begins with a review of the evolution of the written description requirement, followed by a discussion of how the recent decision of *Regents of the University of California v. Eli Lilly & Co*[5] affected the law regarding that requirement for biotechnology inventions claiming DNA sequences. Finally, this Note anticipates the impact the Federal Circuit may have on the ability of inventors to assert broad claims based on the discovery of a single gene, and discusses whether the decision is consistent with overarching policies and purposes behind the law governing patents.

I. BACKGROUND: THE LAW OF PATENTS

The United States Constitution gives Congress the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."[6] This grant of power prompted the First Congress to enact the Patent Act of 1790 (the "Act").[7] The Act granted a limited monopoly of fourteen years and required that the invention be novel as well as "sufficiently useful and important."[8] In addition, the Act required the inventor to file a specification which would distinguish the invention from other materials and enable a "person skilled in the art ... to make, construct, or use the same, to the end that the public may have the full benefit thereof, after the expiration of the patent term."[9]

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over 1500 gene patents issued. USPTO Presentation, Group 1800 Interesting Facts (Sept. 15, 1997) (unpublished manuscript, on file with author).

[4] 35 U.S.C. § 112(1) (1994). *See Regents of the Univ. of Cal. v. Eli Lilly & Co.*, 119 F.3d 1559, 1566 (Fed. Cir. 1997), *cert. denied*, 118 S. Ct. 1548 (1998) (finding that compliance with the written description requirement is a question of fact); *Fiers v. Revel*, 984 F.2d 1164, 1170 (Fed. Cir. 1993) (explaining that meeting the description requirement will vary depending on the nature of the invention claimed).

[5] 119 F.3d 1559 (Fed. Cir. 1997).

[6] U.S. Const. art. I, § 8, cl. 8.

[7] Act of April 10, 1790, ch. 7, § 2, 1 Stat. 109, 110.

[8] *Id.* § 1.

[9] *Id.* § 2.

Congress altered the language somewhat in the three acts that followed.[10] However, today's patent laws, embodied in the Patent Act of 1952,[11] are quite similar to the Patent Act of 1790 in that it is based on the policy to encourage innovation and at the same time avoid "monopolies which stifle competition without any concomitant advance in the 'Progress of Science and useful Arts.'"[12] The protection of technological innovations induces individuals to expend time, money, and energy in the inventive process.

The 1952 Patent Act expressly provides that "[p]atents shall have the attributes of personal property."[13] Thus, an inventor who has a valid patent has the right to exclude all others from making, using or selling the invention.[14] The basic "quid pro quo" contemplated by the Constitution and Congress for granting a limited patent monopoly is the benefit the public receives from the disclosure of something new and useful.[15] "[T]he ultimate goal of the patent system is to bring new designs and technologies into the public domain through disclosure."[16]

A properly functioning patent system will provide ownership benefits to an inventor while providing society with the benefits of the disclosure of that invention. Inventors are given an incentive to make technological advances, which induces rapid dissemination of scientific information to the public. Thus, all inventions should be subject to basic rules of patentability consistent with these important goals.

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[10] Act of Feb. 21, 1793, ch. 11, § 3, 1 Stat. 318, 321; Act of July 4, 1836, ch. 357, § 6, 5 Stat. 117; Act of July 8, 1870, ch. 230, § 26, 16 Stat. 198, 201.

[11] Act of July 19, 1952, ch. 950, § 1, 66 Stat. 792 (codified as amended at 35 U.S.C. §§ 1-376 (1994 & Supp. II 1996)).

[12] *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989) (quoting U.S. Const. art. I, § 8, cl. 8).

[13] 35 U.S.C. § 261 (1994).

[14] *Id.* § 271 (1994 & Supp. II 1996).

[15] *Bonito Boats*, 489 U.S. at 151.

[16] *Id.*

In order for an inventor to obtain a patent, an invention must be useful,[17] novel,[18] nonobvious,[19] and sufficiently described and enabled[20] in a patent application.[21] The courts have read the utility requirement to mean the invention must serve a practical purpose.[22] The utility requirement is not met if the only use of the invention is in experimental research or in some potential future use not yet determined.[23] The novelty requirement does not require absolute novelty, but instead requires only that the invention not be in the hands of the public as of the filing date[24] or, in some cases, before the actual invention took place.[25] Nonobviousness prohibits the patenting of inventions which are readily evident or obvious in light of material that is already available to the public.[26]

Once a patent is filed, it undergoes extensive examination by the USPTO. This is known as patent prosecution and generally involves a dialogue with an examiner with respect to questions of patentability. An inventor will seek the broadest patent protection possible while the examiner will attempt to limit the scope of the patent to comply with the legal requirements of patentability.

The USPTO seeks to issue valid patents. An issued patent in the United States has a presumption of validity which can be a powerful benefit should the need arise to bring suit against an infringer.[27] Validity, however, is ultimately determined by the federal court system in an infringement or declaratory judgment action. Congress created the Court of Appeals for the Federal Circuit in 1982 to hear exclusively patent cases and to establish consistency in the law of patents.[28]

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[17] *See* 35 U.S.C. § 101 (1994).

[18] *See id.* § 102.

[19] *See id.* § 103 (1994 & Supp. II 1996).

[20] *See id.* § 112(1) (1994).

[21] The different parts of a patent application required by law are listed in 35 U.S.C. § 111 (1994). These include: a complete description of the invention, claims defining the invention, drawings (when necessary to explain or diagram the invention), an oath or declaration specifying that the applicant is the original inventor, and a filing fee. *Id.*

[22] *See Anderson v. Natta*, 480 F.2d 1392, 1395 (C.C.P.A. 1973).

[23] *See Brenner v. Manson*, 383 U.S. 519, 535 (1966).

[24] *See* 35 U.S.C. §§ 102 (b), (d) (1994). If certain events, such as a printed publication, a patent, or a public use or sale occur more than one year before the U.S. filing date, the applicant is barred from ever obtaining a valid patent on the subject matter. *See id.*

[25] *See id.* §§ 102 (a), (e), (g). Under certain circumstances, such as the occurrence of a printed publication, the filing of a patent application, the dissemination of the invention to public knowledge, or the use of the invention by others, prior to the time the applicant invented the claimed subject matter, a valid patent cannot be issued. *See id.*

[26] *See id.* § 103 (1994 & Supp. II 1996). The obviousness question concerns whether the invention would have been obvious at the time of the invention to one of "ordinary skill in the art" to which the invention pertained. *Id.*

The patent application itself provides a basis from which the USPTO can make an initial determination of whether the invention meets various statutory requirements. The application serves to identify the specific invention and to define its boundaries. In addition, it discloses the invention to the public in such a way as to enable another person to make or use it once the patent term expires.[29] Thus, the specification of the application must sufficiently disclose the invention to the public.

The specification contains several main parts.[30] Most applications begin by discussing the relevant background of the invention which includes a review of the related prior art.[31] This section is necessary to understand the advance an invention is making in a particular field. The background is followed by a brief summary of the invention. This section defines the invention in a way that allows a lay person (or a technically untrained judge) to understand it. The applicant generally presents the summary to provide support for the broadest claims in the application.[32]

The specification also includes a description of the "preferred embodiments" (also known as the "detailed description") and mustrecite one or more claims.[33] This part of the patent application particularly serves the function of increasing public knowledge to spur further research and assures that the invention will be available to the public once the patent expires.[34] The detailed description and the claim(s) must meet the requirements defined in § 112 of the Patent Act of 1952.[35] The claims must define the invention in such detail that the world of prospective infringers and judges who construe the claims understand the nature of the claimed subject matter. The claims define the boundaries of the invention. Only the invention defined by the claims needs to be described in the specification. This specification has a direct bearing on whether the claims are given a broad or narrow interpretation.[36] Thus, it is important that the entire specification be considered when interpreting the claim boundaries.[37] In addition, because the claims define the invention in which property rights are created, the second paragraph of § 112 requires the claim language to be precise and definite.[38]

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[27] *See id.* § 282; *see also American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1358 (Fed. Cir. 1984) (finding that the court must be persuaded by clear and convincing evidence that the patent in issue is invalid).

[28] *See* Donald S. Chisum, 1997 *Patent Law Digest* vii (Matthew Bender & Co. 1997).

[29] *See* 2 Daniel R. Cherry et. al., *Patent Practice* § 9.2 (Patent Resource Inst., Inc., 6th ed. 1995).

[30] *See* Patent and Trademark Office, U.S. Dep't of Commerce, *Manual of Patent Examining Procedure* § 608.01(a) (6th ed. 1995 & Supp. 1997) [hereinafter M.P.E.P.]. This section of the M.P.E.P. lists the parts of the application which should be included: background of the invention; brief summary of the invention; brief description of the several views of the drawing; detailed description of the invention; claim or claims; abstract of the disclosure; drawings; and executed oath or declaration. *Id.*

[31] "Prior Art" is a term of art pertaining generally to publications (journal articles, published patents, etc.) or other public disclosures which are relevant to the claimed invention.

[32] A brief summary of the invention indicating its nature and substance, which may include a statement of the object of the invention, should precede the detailed description. Such summary should, when set forth, be commensurate with the invention as claimed and any object recited should be that of the invention as claimed. 37 C.F.R. § 1.73 (1997).

[33] *See* M.P.E.P. § 608.01(a).

II. 35 U.S.C. § 112, FIRST PARAGRAPH

In order for an invention to be adequately disclosed in the specification, the first paragraph of 35 U.S.C. § 112 sets forth several requirements.

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.[39]

The USPTO and the courts interpret this paragraph to contain three independent requirements: (1) a written description of the invention; (2) a disclosure of how to make and use the invention

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[34] Patent applications filed in the United States before June 8, 1995 may elect a term of 17 years from date of issuance. *See* 37 C.F.R. § 1.14(b) (1995). Patents which issue from applications filed after June 7, 1995 are given a term of 20 years from the date of filing. *See* 37 C.F.R. § 1.14(b) (1997).

[35] 35 U.S.C. § 112 (1994).

[36] If the specification does not provide support (such as an adequate written description or an enabling description) for a broad interpretation of a particular claim, it must be given a narrower interpretation. *See Minnesota Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559 (Fed. Cir. 1992) (noting that it is entirely proper to use the specification to interpret the claims).

[37] *See* 1 Irving Kayton, *Patent Practice* § 2.6 (Patent Resource Inst., Inc., 6th ed. 1995).

[38] 35 U.S.C. § 112(2) (1994).

[39] *Id.* § 112(1).

(enablement); and (3) the best mode of practicing the invention.[40] Failure of a patent application to satisfy any of these requirements is grounds for rejection of the application or invalidation of an issued patent.[41]

An application meets the enablement requirement if it discloses the invention well enough to permit a person "skilled in the art" to make and use that invention.[42] Thus, an enablement determination must be made from the viewpoint of a hypothetical person skilled in the art. The level of knowledge of this person is a fact-sensitive inquiry and will vary depending on the particular technology being employed.[43] In addition, the application must allow the invention to be fully available to the public such that a skilled artisan can practice the invention without extensive experimentation or research.[44]

The patent specification must also disclose the best mode of practicing or carrying out the invention.[45] This, however, is the best mode contemplated by the inventor and not the best mode in an absolute sense.[46] Thus, even if there is a better method of practicing the invention, the patent is not invalidated if the inventor does not know about it.[47]

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[40] *See Vas-Cath, Inc. v. Mahurkar*, 935 F.2d 1555 (Fed. Cir. 1991); *Amgen, Inc. v. Chugai Pharm. Co.*, 927 F.2d 1200, 1210 (Fed. Cir.), *cert. denied*, 502 U.S. 856 (1991).

[41] *See* 35 U.S.C. §§ 112(1), 282 (1994). Failure to meet the best mode requirement can potentially invalidate the entire patent, whereas failure to meet the written description and enablement requirements apply to individual claims.

[42] *See In re Wands*, 858 F.2d 731 (Fed. Cir. 1988).

[43] This person need only have ordinary skill in a particular field. He or she is not necessarily an expert in the field and thus, is not presumed to know all prior art in the field. *See* 2 Donald S. Chisum, *Patents* § 7.03[2][b] (Supp. 1997).

[44] *See In re Wands*, 858 F.2d at 737." The test is not merely quantitative, since a considerable amount of experimentation is possible, if it is merely routine, or if the specification in question provides a reasonable amount of guidance with respect to the direction in which the experimentation should proceed." *Id. See also* John C. Todaro, "Enablement in Biotechnology Cases after *In re Goodman*," *Fordham Intell. Prop. Media & Ent. L. J.* (1994) (providing a detailed discussion of the enablement requirement and its specific application in biotechnology cases).

[45] *See* 35 U.S.C. § 112(1) (1994).

[46] *See Kaken Pharm. Co., Ltd. v. United States Int'l Trade Comm'n*, 111 F.3d 143 (Fed. Cir. 1997) (discussing the best mode requirement in the context of avoiding conception and concealment).

[47] *See id.*

III. DEVELOPMENT OF A DISTINCT WRITTEN DESCRIPTION REQUIREMENT

At first glance, it would seem as if the written description requirement could be easily satisfied. In fact, patent experts, researchers, and judges have even argued that this is not a separate requirement at all.[48] For several years before the creation of the Court of Appeals for the Federal Circuit, courts inconsistently decided whether a written description requirement separate from that of the enablement and best mode requirements even existed.[49]

In 1977, in *In re Barker*,[50] the Court of Customs and Patent Appeals ("CCPA") considered an examiner's rejection of a patent application based on an insufficient written description in the specification.[51] The court held that a distinct written description requirement was consistent with legislative history and the underlying policies of the 1952 Patent Act.[52] Judge Markey's dissenting opinion, however, described the majority's interpretation of § 112 as "exaltive of form over substance."[53] Judge Markey viewed the enablement requirement as supporting the purpose and "quid pro quo" of the patent system without the need for a separate written description requirement.[54] He stated, "I cannot see how one may, in 'full, clear, concise and exact terms,' enable the skilled to practice an invention, and still have failed to 'describe' it."[55]

In a 1987 opinion, the Federal Circuit seemed to partially adopt Markey's view.[56] The court stated that the purpose of the written description requirement is to communicate that which is needed to enable one skilled in the art to make and use the claimed invention.[57] Thus, it would seem from this opinion that the term "written description" is a mere modifier of the enablement requirement.

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[48] *See In re Barker*, 559 F.2d 588, 594 (C.C.P.A. 1977) (Markey, J., dissenting) (finding mistaken the majority's "attempt to create historical and current statutory support for a separate description requirement."); Application of Ruschig, 379 F.2d 990, 995 (C.C.P.A. 1967) (where an inventor argued that § 112 requires only enablement of the invention). *See also* Laurence H. Pretty, "The Recline and Fall of Mecyanical Genus Claim Scope Under "Written Description" in the *Sofa* Case," 80 *J. Pat. & Trademark Office Soc'y* 469, 470 (1998).

[49] *See Vas-Cath, Inc. v. Mahurkar*, 935 F.2d 1555, 1560 (Fed. Cir. 1991) (acknowledging inconsistent precedent with respect to whether a written description requirement exists separate from the enablement and best mode requirements).

[50] 559 F.2d 588 (C.C.P.A. 1977).

[51] *Id.*

[52] *Id.*

[53] *Id.* at 594 (Markey, J., dissenting).

[54] *Id.*

[55] *Id.* At 595.

[56] *Kennecott Corp. v. Kyocera Int'l, Inc.*, 835 F.2d 1419, 1421 (Fed. Cir. 1987).

In a later case, the Federal Circuit laid the controversy to rest and affirmatively stated that a separate written description requirement exists distinct from the enablement and best mode requirements.[58] The *Vas-Cath* court considered whether drawings in a design patent provided a sufficient description to support later-asserted claims to a device.[59] To clarify the law regarding § 112, the court reviewed prior case law and set forth a standard for determining compliance with the written description requirement as well as a statement of its purpose and applicability.

The written description requirement serves "to put the public in possession of what the party claims as his [or her] own invention ...."[60] Requiring an inventor to distinguish his invention through a written description allows for a determination of the novelty of the invention and puts the public on notice of the specific property rights that are protected.[61] In addition, the requirement prevents an inventor from overreaching the boundaries of his invention or claiming more than what his or her invention truly is.[62]

In *Vas-Cath*, the court also stated what is necessary to fulfill the written description requirement: "'Although [the applicant] does not have to describe exactly the subject matter claimed, ... the description must clearly allow persons of ordinary skill in the art to recognize that [he or she] invented what is claimed.'"[63] Furthermore, an adequate written description must clearly show that the applicant was in possession of the invention as of the filing date of the application.[64] Arguably, this is somewhat different from asking if the specification clearly conveys information that the applicant invented what is claimed.

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[57] *Id.*

[58] *See Vas-Cath, Inc. v. Mahurkar*, 935 F.2d 1555, 1563 (Fed. Cir. 1991).

[59] On March 8, 1982, Mahurkar filed a design application with six drawings depicting a double lumen catheter. On October 1, 1984 Mahurkar filed a utility patent application claiming the benefit of the design application's filing date. Mahurkar could only claim the benefit of the March 8 filing date if the specification in that application was sufficient to support the later (October 1) claimed invention. *See id.* at 1558.

[60] *Id.* at 1561. *See also Evans v. Eaton*, 20 U.S. (7 Wheat.) 356 (1822).

[61] *See Vas-Cath*, 935 F.2d at 1561.

[62] *See id.*; *see also Rengo Co. v. Molins Machine Co.*, 657 F.2d 535, 551 (3d Cir. 1981).

[63] *Vas-Cath*, 935 F.2d at 1563 (quoting *In re Gosteli*, 872 F.2d 1008, 1012 (Fed. Cir. 1989)) (alteration in original).

[64] *See id.* at 1564.

Prior case law would allow an inventor to obtain a patent on an invention that was never actually made or used (reduced to practice) prior to the filing of an application, as long as the other disclosure requirements were met.[65] The filing of the application itself was considered a constructive reduction to practice. Thus, an inventor who could envision an invention in enough detail could obtain patent protection without ever reducing the invention to a physical form.[66]

It is unclear whether the *Vas-Cath* court imposed an additional sufficiency requirement by stating that the written description must provide proof of possession of the invention at the time of filing. In many cases, especially in the chemical arts, it may be difficult to satisfy the written description requirement and prove the applicant was in possession of the invention as of the filing date without first actually reducing the invention to practice.

The same general standards relating to the written description requirement apply in any situation where the validity of a patent's claims are called into question because they are not adequately described in the specification. In addition, the requirement applies to all statutory categories of invention.[67] The basic test is always whether the disclosure conveys to those skilled in the art that the applicant had possession of the subject matter claimed.[68]

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[65] *See Hybritech Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1376 (Fed. Cir. 1986), *cert. denied*, 480 U.S. 947 (1987).

[66] The United States is a "first to invent" country, unlike most foreign countries where there is a "first to file" system. Thus, in the United States proving the date of invention can be critical to the ability to obtain patent rights. The date of invention involves conception of "a definite and permanent idea of the complete and operative invention as it is thereafter to be applied in practice." *Mergenthaler v. Scudder*, 11 App. D.C. 264, 276 (1897). The invention date can coincide with the date the inventor conceived of the invention only if the inventor was diligent toward reducing the invention to practice. The date of invention, however, in the unpredictable arts (chemistry and biology) is generally determined only upon reduction to practice. American Intellectual Property Law Ass'n, Basic Chemical and Biotechnology Patent Practice Seminar (Fall 1994) (manuscript on file with author). The latest date of invention will be the filing date of the application. This is known as a "constructive reduction to practice." If, at a later date, the disclosure of that application is determined to be insufficient, then a constructive reduction to practice has not taken place. A date of invention earlier than the filing date of the application requires an actual reduction to practice. This occurs when the invention is reduced to some physical form demonstrating that the invention works. *See* Kayton, *supra* note 37, § 2.46.

[67] Statutory categories of invention include "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof ...." 35 U.S.C. § 101 (1994). Plants are patentable subject to the requirements in 35 U.S.C. § 161 and designs are patentable subject to the requirements in 35 U.S.C. § 171. 35 U.S.C. §§ 161, 171 (1994).

[68] *See Vas-Cath*, 935 F.2d at 1564.

The written description requirement becomes an issue in several different contexts.[69] The most common situation occurs when an applicant attempts to add a claim at some point after the original filing date of the invention.[70] If this subsequent claim is not sufficiently described in the original specification, i.e., the written description requirement is not met, then this claim will not receive the benefit of the earlier filing date.[71] The unsupported claims will be deemed "new matter" and must be filed in a separate application receiving a later filing date.[72]

The filing date can be critical especially in the rapidly progressing and highly competitive biotechnology industry. The filing date is the prima facie date of the invention for determining novelty, priority, and nonobviousness.[73] In addition, the date is critical for determining statutory bar provisions.[74] Thus, for questions dealing with the priority date for an invention such as in an interference context,[75] the written description in the specification will be closely scrutinized.

In a priority contest, courts focus on the conception of the invention to determine inventorship.[76] In the chemical arts, a determination of complete conception often cannot be made until an invention is reduced to practice.[77] This is known as the doctrine of simultaneous conception and reduction to practice. "In the experimental sciences of chemistry and biology ... [the] element of unpredictability frequently prevents a conception separate from actual experiment and test."[78] Thus, this doctrine is also applied in biotechnology cases.[79]

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[69] *See In re Smith*, 481 F.2d 910, 914 (C.C.P.A. 1973) (noting the description requirement can arise an any of three different contexts: (1) "an assertion of entitlement to the filing date of a previously filed application under § 120," (2) "in the interference context wherein the issue is support for a count in the specification of one or more of the parties," or (3) "in an ex parte case involving a single application, but where the claim at issue was filed subsequent to the filing of the application ....").

[70] *See Vas-Cath*, 935 F.2d at 1555; *In re Kaslow*, 707 F.2d 1366 (Fed. Cir. 1983) (rejecting later amended claims when description requirement was not met).

[71] *See* 3 Donald S. Chisum, *Chisum on Patents* § 7.04 (Supp. 1997).

[72] "No amendment shall introduce new matter into the disclosure of an application after the filing date of the application ...." 37 C.F.R. § 1.118(a) (1997).

[73] Often an applicant will be able to provide evidence of an earlier date of the invention for the purpose of novelty and nonobviousness determinations. The filing date, however, is prima facie evidence of the latest date of the invention. *See* Kayton, *supra* note 37, § 2.46.

[74] *See* 35 U.S.C. § 102 (b) (1994).

[75] An interference proceeding is a determination of priority of invention between two or more inventors claiming the same invention. A procedural burden with respect to proving priority is placed upon the last to file. *See* 37 C.F.R. § 1.601(i) (1997); 35 U.S.C. § 135(a) (1994).

[76] *See Mueller Brass Co. v. Reading Indus., Inc.*, 487 F.2d 1395 (3rd Cir. 1973).

[77] *See Smith v. Bousquet*, 111 F.2d 157, 159 (C.C.P.A. 1940).

In chemical cases, courts hold that "knowledge of the structure, name, formula, definitive chemical or physical property and knowledge of the method of obtaining the compound, unless the method is routine, is required to prove conception."[80] The written description requirement is scrutinized in these types of priority contests because filing a patent application may be the only evidence of a reduction to practice (constructive reduction to practice) to prove conception.[81] The written description then becomes corroborating evidence of conception.[82]

Throughout the evolution of the written description requirement, the courts consistently emphasized the fact-sensitive nature of the issue.[83] Courts considered "the nature of the invention and the amount of knowledge imparted to those skilled in the art"[84] when deciding questions based on the disclosure requirements in § 112(1). Thus, the unique nature of the biotechnology industry and the newness of the technology creates uncertainty with respect to what will be sufficient to satisfy the written description requirement.

IV. THE TECHNOLOGY

Biotechnology is defined as the use of cellular processes (bacteria, plant, or animal) to make therapeutically valuable products.[85] Because this Note focuses on the application of the written description requirement to biotechnology inventions involving recombinant DNA, a brief discussion of that technology is necessary.

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[78] *Id.*

[79] *See, e.g., Amgen, Inc. v. Chugai Pharm. Co. Ltd.*, 927 F.2d 1200 (Fed. Cir.) (analyzing the completeness of conception for claims to a DNA sequence), *cert. denied*, 502 U.S. 856 (1991).

[80] *Oka v. Youssefyeh*, 849 F.2d 581 (Fed. Cir. 1988).

[81] *See supra* note 67 and accompanying text.

[82] *See Burroughs Wellcome Co. v. Barr Lab.*, 40 F.3d 1223 (Fed. Cir. 1994) (holding that conception requires a mental event and objective, corroborating evidence), *cert. denied*, 116 S. Ct. 771 (1995).

[83] *See, e.g., In re Smith*, 458 F.2d 1389, 1395 (C.C.P.A. 1972) (stating that determination of compliance with § 112 is a case-by-case inquiry); *In re Dileone*, 436 F.2d 1404 (C.C.P.A. 1971) (stating that what is necessary to fulfill the written description requirement varies depending on nature of invention).

[84] *In re Wertheim*, 541 F.2d 257, 262 (C.C.P.A. 1976).

[85] *See Textbook of Biochemistry with Clinical Correlations* 757 (Thomas M. Devlin ed. 1997) [hereinafter *Textbook of Biochemistry*]. A set of laboratory techniques developed within the last twenty years have been partly responsible for the scientific and commercial interest in biotechnology, the founding of many new companies, and the redirection of research efforts and financial resources

Most lay people would be comfortable with defining "gene" as a functional unit of inheritance controlling the transmission of one or more traits. The advent of molecular biotechnology, however, has created a somewhat more complex definition. Forty-six chromosomes exist in the nucleus of almost every cell in the human body. Each chromosome contains thousands of individual genes. Genes are made of strands of DNA and DNA is a polymer of four different nucleotide bases (A, G, C, and T).[86] The genetic information within DNA is conveyed by the sequence of its four building blocks. A gene can be compared to a long sentence built from a four-letter alphabet.[87] The letters (or bases in the case of DNA) must be present in a specific arrangement in order for the sentence to make sense.

A gene is a sequence of DNA that codes for a protein and a gene is expressed when its DNA is used to make protein. Proteins are made of amino acids which are joined together in a particular order. There are twenty amino acids found in proteins and the order and number of those amino acids with respect to each other in a single protein specifies its function.[88] Proteins include things such as hormones, enzymes, and structural materials for cells. One or more codons, which are a group of three nucleotides in a gene, encode a particular amino acid.[89] Because there are sixty-three possible codon triplets using the four bases, some amino acids are coded for by multiple codons. For example, the codons GGT, GGG, GGA, and GGC all code for the amino acid glycine. This is what is referred to as the degeneracy of the genetic code.[90] Thus, even though one may know the sequence of amino acids for a particular protein, one cannot determine with any certainty the natural sequence of the corresponding gene.

The order of bases provides the code that gives each type of cell, such as a muscle cell or nerve cell, its special characteristics. Even though the nucleus of every cell within a single individual has the same DNA, not all of the same genes are expressed in every cell type.[91] Gene

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among industrial and academic institutions. *See* James D. Watson, et. al., *Molecular Biology of the Gene* 240-41 (4th ed. 1987).

[86] *See id.* at 78

[87] *See id.* at 78.

[88] *See Textbook of Biochemistry supra* note 85, at 25-28.

[89] *See* Watson et. al., *supra* note 86, at 223. Protein production is called translation because it involves the translation of information from the four-letter language of DNA into the twenty-letter language of proteins. Proteins are formed by the sequential addition of amino acids in a specific order, which is determined by the nucleotide sequence of the gene. *See id.* at 433.

[90] *See id.* at 437.

[91] *See id.* at 696-98.

expression involves the two main processes of transcription and translation. Because protein production occurs outside the nucleus of the cell, the genetic information (in the form of DNA) in the nucleus must somehow be taken outside the nucleus to allow specific proteins to be made. This is done using messenger ribonucleic acid ("mRNA").[92] The DNA is transcribed into mRNA which is actually a mirror image of the DNA.[93] The mRNA is then processed so it can leave the nucleus and be translated into protein outside the nucleus. The processing involves splicing out parts of the gene which do not code for protein sequence (introns) and splicing together the protein coding pieces of the gene (exons).[94]

Thus, for each type of cell, only a certain subset of genes will be expressed. For example, in muscle cells, genes involved in muscle contraction (i.e. myosin and actin)[95] will be expressed whereas genes involved in nerve cell function will not. Each cell has a particular set of signals which will turn on expression of the appropriate genes.

Genetic engineering encompasses recombinant DNA technology, which involves the joining together of two different DNA molecules. Recombinant DNAs can be prepared from a variety of organisms including bacteria, viruses, animals, and humans.[96] Recombinant DNA technology opened the way for production of large quantities of recombinant DNA and is frequently used to produce proteins. Before the advent of recombinant DNA technology, protein therapeutics, such as insulin or growth hormone, were isolated and purified from slaughtered animals. This process was expensive, time consuming, and produced only small amounts of protein.

To produce a protein by recombinant means, the complementary DNA ("cDNA") encoding the protein must first be cloned.[97] A cDNA is basically a gene without introns. It is made from processed mRNA through reverse transcription.[98] Whereas a gene can be 100,000 bases long, a cDNA (a gene without introns) will generally be around 1500 to 3000 bases long. The isolation of the cDNA is often performed by screening a cDNA library.[99]

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[92] *See id.* at 698-701.

[93] *See id.* at 703-10.

[94] *See id.* at 83-85.

[95] *See id.* at 696-98.

[96] *See* James Darnell, et. al., *Molecular Cellular Biology* 248-49 (1986).

[97] *See* Joseph Sambrook, et. al., *Molecular Cloning: A Laboratory Manual* §§ 8.27, 16.68 (2d ed. 1989).

[98] *See id.* at § 12.6.

[99] A cDNA library is made from mRNA isolated from a particular cell type. Thus, only those genes which are being expressed in that cell type will be represented in the library. The mRNA is reverse transcribed using probes which randomly hybridize to the mRNA. The resulting mixture of cDNAs

The isolated DNA can then be expressed in bacteria or another suitable host and the resulting protein isolated. Many vectors (plasmids) have been constructed which permit expression of animal genes in bacteria cells.[100] The isolated gene of interest can be combined with the bacterial expression vector and then inserted into bacteria or other types of cells that rapidly replicate their DNA and divide.[101] These cells replicate the foreign DNA right along with their own. Thus, a huge bacterial population can produce useful quantities of recombinant DNA molecules as well as the specific proteins that those molecules code for.

In addition to the use of a cloned gene to mass produce large amounts of protein, cloned genes are also employed in gene therapy. This technology allows defective genes present in specific types of somatic cells to be replaced with the correct (non-mutated) form of the gene.[102] Thus, obtaining patent protection on a gene sequence as well as the corresponding protein having therapeutic value is critical to the survival of the biotechnology industry. The biotechnology industry is rapidly developing recombinant protein therapeutics as well as somatic cell gene therapy technology and these types of therapies have the potential to cure many of the nearly 4000 different genetic diseases known.

V. The Written Description Requirement of 35 U.S.C. § 112(1) for Biotechnology Inventions

There have been very few biotechnology patent law cases at the Federal Circuit level. Interestingly, of the few cases that the Federal Circuit has decided, several involved the issue of compliance with the written description requirement.[103] In *Amgen, Inc. v. Chugai Pharmaceutical, Co.*,[104] the Federal Circuit analyzed the priority date of an invention in a patent infringement case. Even though the court focused mainly on the completeness of conception, applying the doctrine of simultaneous conception and reduction to practice, many other courts use the reasoning from Amgen

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then are cloned into a vector and screened. Degenerate probes can be generated based on the amino acid sequence of the protein and used to screen the library. Clones which hybridize to the probe are sequenced. Generally cDNAs are isolated because they are easier to work with than whole genes and if the goal is to express them in bacteria, the bacteria must be tricked into thinking they are making an endogenous protein. Unlike eukaryotic genes, bacterial genes do not have introns.

[100] *See id.* at § 17.

[101] *See id.* at § 17.3.

[102] *See Textbook of Biochemistry*, *supra* note 85, at 793.

[103] *See Regents of the Univ. of Cal. v. Eli Lilly & Co.*, 119 F.3d 1559 (Fed. Cir. 1997), *cert. denied*, 118 S. Ct. 1548 (1998); *Fiers v. Revel*, 984 F.2d 1164 (Fed. Cir. 1993); *Amgen, Inc. v. Chugai Pharm. Co., Ltd.*, 927 F.2d 1200 (Fed. Cir.), *cert. denied*, 502 U.S. 856 (1991).

[104] 927 F.2d 1200 (Fed. Cir.), *cert. denied*, 502 U.S. 856 (1991).

as a foundation to determine the sufficiency of a written description for applications claiming DNA sequences.[105]

In *Amgen*, Amgen sued Genetics Institute ("GI") and Chugai Pharmaceuticals for patent infringement. The Amgen patent issued on October 27, 1987 and contained claims to the DNA sequence encoding human erythropoeitin ("EPO"), a protein that stimulates the production of red blood cells. Prior to Amgen's cloning of the EPO gene, however, GI had isolated and purified the EPO protein as well as disclosed a method of purifying and isolating the EPO DNA sequence.[106] The USPTO issued a patent to GI in 1987 claiming the EPO protein.[107] GI did not clone the EPO cDNA until August, 1984 and began making recombinant EPO shortly thereafter.[108] Amgen claimed priority of invention based on EPO clones that were isolated in 1983.[109] The Federal Circuit held that the Amgen patent was not invalidated based on the earlier disclosure by GI of a probing strategy to screen a DNA library even though this strategy eventually resulted in the actual cloning of the gene by GI.[110] GI's disclosure was insufficient to constitute a conception of the DNA encoding EPO.[111]

Applying chemical case law precedent,[112] the *Amgen* court found:

> Conception does not occur unless one has a mental picture of the structure of the chemical, or is able to define it by its method of preparation, its physical or chemical properties, or whatever characteristics sufficiently distinguish it. It is not sufficient to define it solely by its principle biological property, e.g., encoding human erythropoietin, because an alleged conception having no more specificity than that is simply a wish to know the identity of any material with that biological property.[113]

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[105] *See Fiers*, 984 F.2d at 1164.

[106] *See Amgen*, 927 F.2d at 1205.

[107] *See id.* at 1203.

[108] *See id.* at 1205-06.

[109] *See id.*

[110] *Id.* at 1206.

[111] *See id.*

[112] *See Oka* v. *Youssefyeh*, 849 F.2d 581, 583 (Fed. Cir. 1988). The court, in *Amgen*, classified DNA as a complex chemical compound and held that "it is well established in our law that conception of a chemical compound requires that the inventor be able to define it so as to distinguish it from other materials, and ... describe how to obtain it." *Amgen*, 927 F.2d at 1206.

[113] *Amgen*, 927 F.2d at 1206.

The court did not invoke the requirement that the actual DNA sequence be disclosed, but only that the DNA be defined in a way to distinguish it from other chemicals along with a description of how to obtain it.[114] This left open the possibility of adequately describing a particular DNA even when the inventor is unaware of its structure.[115]

In 1993, the Federal Circuit applied the holding in Amgen to a case where three parties claimed patent rights to the DNA encoding human beta interferon ("<<beta>>-IF"). In *Fiers v. Revel*,[116] Revel sought to use the benefit of an Israeli application date as a constructive reduction to practice to prove priority of invention for <<beta>>-IF. The court held that the Israeli application did not contain an adequate written description of a DNA encoding <<beta>>-IF.[117] The court concluded, "[a]n adequate written description of a DNA requires more than a mere statement that it is part of the invention and reference to a potential method for isolating it; what is required is a description of the DNA itself."[118] The Fiers court reasoned that a statement claiming the DNA in onjunction with a method of isolating it by reverse transcription did not indicate that Revel was in possession of the DNA.[119]

The court went on to note that the reasoning applied in the Amgen case, with respect to what is necessary to show conception, also applies to the adequacy of descriptions of DNA.[120]

> As we stated in [Amgen] ... such a disclosure just represents a wish, or arguably a plan, for obtaining the DNA. If a conception of a DNA requires a precise definition,such as by structure, formula, chemical name, or physical properties, ... then a description also requires that degree of specificity.... [O]ne cannot describe what one has not conceived.[121]

Thus, it is clear from the Fiers decision that there must be some specific characterization of the DNA itself to convey to one skilled in the art that the inventor was in possession of the DNA at the time of filing. The court held that Sugano, another party in the action, was entitled to priority because the disclosure in his application contained "the complete and correct sequence of the DNA which codes for <<beta>>-IF, along with a detailed disclosure of the method used by Sugano to obtain that DNA."[122]

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[114] *Id.*

[115] *See* Peter F. Corless, "Recombinant DNA Inventions After *Fiers*," 16 *Hous. J. Int't L.* 509, 520 (1994).

[116] 984 F.2d 1164, 1166 (Fed. Cir. 1993).

[117] *Id.* at 1171.

[118] *Id.* at 1170.

[119] *Id.* at 1170-1171.

[120] *Id.* at 1171.

[121] *Id.*

VI. *REGENTS OF THE UNIVERSITY OF CALIFORNIA V. ELI LILLY & CO.*

In July 1997, the Federal Circuit again considered the written description requirement for DNA inventions in *Regents of the University of California v. Eli Lilly & Co.*[123] The court's decision has generated controversy as well as uncertainty with respect to what practical aspects of patent practice will be affected.[124]

The *Lilly* case centers on a seven year patent battle over the insulin gene. In 1977, researchers at the University of California ("UC") cloned the rat insulin gene.[125] This discovery was made at a time when recombinant DNA technology was still in its infancy. There was a race to clone the insulin gene because of the enormous potential commercial use of recombinant insulin in the treatment of diabetes.

Prior to the development of recombinant DNA techniques, both purified pig and cow insulins were commonly used to treat diabetics. Because of the differences in the amino acid sequence from human insulin, some individuals had an allergic response to the injected animal insulins.[126] In addition, the process of purifying animal insulin was time consuming and expensive. In 1982, Lilly began marketing synthetic human insulin made by a process, some steps of which were licensed from Genentech. Later in 1986, Lilly switched to a production technique utilizing an insulin precursor rather than a method employing the separate production of the two chains of insulin which could then be combined to make insulin.[127]

After cloning the rat insulin gene in 1977, UC filed a patent application claiming the rat and human insulin genes as well as all other vertebrate and mammalian insulin genes. That patent issued to UC on March 24, 1987 for an invention entitled "Recombinant Bacterial Plasmids Containing Coding Sequences of Insulin Genes" (the "'525 patent").[128] In 1990, UC sued Lilly for infringing claims of the '525 patent as well as claims in an additional patent. Lilly responded that not only did it not infringe the '525 patent, but UC's claims in that patent were invalid. The claims at issue were Claims 1 and 2 directed to vertebrate insulin encoding DNA and Claims 4 and 5 limited to mammalian and human cDNA respectively.[129] Both the District Court[130] and the Federal Circuit[131] agreed with *Lilly* that the claims in the '525 patent were invalid because of an inadequate written description in the patent specification.

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[122] *Id.*

[123] 119 F.3d 1559 (Fed. Cir. 1997).

[124] *See generally* Eliot Marshall, "A Bitter Battle Over Insulin Gene," 277 *Sci.* 1028 (1997).

[125] *See Lilly*, 119 F.3d at 1562.

[126] *See* Marshall, *supra* note 124, at 1028.

[127] *See Id.*

[128] *Lilly*, 199 F.3d at 1562-63. An additional UC patent ('740) was also at issue involving the production of recombinant human insulin. The *Lilly* court, however, found that Lilly did not infringe this patent through the production of its recombinant human proinsulin fusion protein. *Id.* at 1572.

The Federal Circuit court relied on the reasoning in *Amgen* and *Fiers* to invalidate UC's claims despite the differences between those cases and Lilly.[132] The most fundamental difference was that unlike the inventors in *Amgen* and *Fiers*, the UC inventors had actually isolated, cloned, and characterized a cDNA (the rat insulin gene). The '525 patent disclosure contained a description of the isolation of the rat insulin mRNA, the synthesis and characterization of the rat insulin cDNA, a method of obtaining the human cDNA for insulin using constructive examples incorporating the same method used to obtain the rat cDNA, and the amino acid sequences of the human insulin A and B chains already known in the prior art.[133] The court held, however, that this was not enough to adequately describe the cDNA encoding human insulin.[134]

UC's primary argument was that the disclosure of the cDNA in a single species, the rat, necessarily entitled them to an entire genus of cDNAs that includes the human cDNA.[135] UC also argued that the examples in the disclosure describe how to obtain the cDNA for human insulin and thus, were a sufficient written description of that DNA.[136] The court, however, noted that even if the disclosure was enabling, it did not sufficiently describe the DNA.[137] The disclosure did not provide any information distinguishing the cDNA from other DNAs such as information "pertaining to that cDNA's relevant structure or physical characteristics."[138] In addition, nothing in the disclosure supported the proposition that UC was in possession of the human insulin cDNA at the time of filing. In fact, UC inventors did not actually clone the human cDNA until two years after the '525 application was filed.[139]

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[129] *Id.* at 1562-63.

[130] *Regents of the Univ. of Calif. v. Eli Lilly & Co.*, 39 U.S.P.Q.2d 1225, 1241 (S.D. Ind. 1995).

[131] *Lilly*, 119 F.3d at 1568.

[132] *Id.*

[133] *See Id.* at 1567.

[134] *Id.*

[135] *See Id.* at 1567-68.

[136] *Id.* at 1568.

[137] *Id. See also In re Dileone*, 436 F.2d at 1404 (holding that a broadly claimed invention can be enabled but still not described sufficiently).

[138] *Lilly*, 119 F.3d at 1567.

VII. Impact of the Lilly Decision on Patent Practice: **What is the Standard After *Lilly*?**

The *Lilly* case has generated a large amount of interest among patent practitioners because of its potential impact on the ability to obtain and enforce patents claiming DNA and proteins. The holding in *Lilly* suggests that disclosing the amino acid sequence of a human protein and the DNA sequence encoding of the same protein found in one other species is not enough to qualify as an adequate description of the specific DNA encoding the human protein. Due to the degeneracy of the genetic code, one could hypothesize billions of possible DNA sequences which, based on the amino acid sequence, could encode a particular protein.[140] In addition, while some regions of a particular gene or cDNA may be conserved between species, some regions will be significantly different between even closely related species.[141] Thus, without the claimed cDNA clone, it may be difficult or impossible to predict or describe a particular cDNA.[142]

The factual record in the *Lilly* case further supports this reasoning. UC did not possess the human cDNA at the time of filing the '525 application.[143] In addition, UC actually sought to procure a separate patent later dealing with the human cDNA encoding insulin. During the prosecution of the later application, UC argued that the rat cDNA sequence did not render the human cDNA obvious. Thus, UC was in effect saying that the rat cDNA could not be used to adequately describe the human cDNA. A disclosure that does not at least render a claim obvious does not provide an adequate description supporting that claim. In fact, the *Lilly* court held that even if the disclosure would have made the invention obvious, this alone would still be insufficient to satisfy the written description requirement.[144] Furthermore, the court once again affirmed that claims to a specific DNA are not made obvious "by mere knowledge of a desired protein sequence and methods for generating the DNA that encodes the protein."[145]

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[139] UC apparently argued during the prosecution of the '740 patent that the disclosure in the '525 patent did not enable the production of human insulin. *See* Id. at 1572 & n.6.

[140] *See* Watson, et. al., *supra* note 86, at 223.

[141] The rat and human proteins vary in 14 amino acids and the cDNA varies in 48 bases in just the proinsulin portion of the molecule.

[142] Because the genetic code tells a scientist what DNAs may potentially encode a specific protein, an applicant may be entitled to claim the large genus of cDNAs which encode the particular protein of interest even if it would consist of billions of molecules. A specific (naturally occurring) cDNA may not necessarily be described because, out of the billions of possible sequences encoding the protein of interest, the applicant has not described the particular DNA at issue.

[143] *Lilly*, 119 F.3d at 1567-69.

[144] *Id.* at 1567; *see also Lockwood v. American Airlines, Inc.*, 107 F.3d 1565, 1572 (Fed. Cir. 1997).

The *Lilly* court, however, did not make entirely clear what description is sufficient for a cDNA apart from disclosing the actual sequence of that DNA. Arguably, it is an overstatement of the court's holding to suggest that an inventor must provide the sequence of any DNA that is claimed in order to meet the written description requirement. The Federal Circuit has never explicitly stated that disclosing a cDNA sequence is the only way to satisfy the written description requirement.

The standard applied consistently in several cases is that the specification must describe the cDNA itself by disclosing the "structure, formula, chemical name, or physical properties" of the substance "sufficient to distinguish it from other molecules."[146] Unlike traditional chemical names which can say a lot about the structure of the molecule, the name "cDNA encoding X protein sequence" does not describe the structure of the cDNA.[147] This name cannot by itself be adequate as it would allow one to describe the molecule without ever achieving anything in the laboratory.

It may, however, be possible to disclose distinguishing physical properties of a cDNA without providing the actual sequence and still satisfy the written description requirement. For example, a cDNA could be described by its number of bases coupled with a detailed restriction map.[148] It might also be possible to identify or distinguish a particular DNA by disclosing the conditions under which this DNA hybridizes to a specific probe along with the sequence of that probe.[149]

The USPTO issued a formal request for comments regarding an interim set of guidelines recently published.[150] These interim requirements represent the USPTO's view as to the information necessary to satisfy the written description requirement in light of recent case law. The guidelines state that other identifying characteristics such as "physical and/or chemical characteristics and/or functional characteristics coupled with a known or disclosed correlation between function and structure" may suffice.[151] The guidelines also suggest that the "size, cleavage map, and source from which the DNA is derived" may satisfy the requirement.[152]

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[145] *Lilly*, 119 F.3d at 1567 (citing *In re Deuel*, 51 F.3d 1552, 1559 (Fed. Cir. 1995); *In re Bell*, 991 F.2d 781, 785 (Fed. Cir. 1993)).

[146] *Lilly*, 119 F.3d at 1566, 1568; *see also Fiers v. Revel*, 984 F.2d 1164, 1171 (Fed. Cir. 1993).

[147] *See Lilly*, 119 F.3d at 1568.

[148] Over 100 restriction enzymes have been isolated from various organisms. These enzymes cut DNA at specific nucleotide (base) sequences. Most recognize unique sequences of four to six nucleotides in length. For example, the restriction enzyme EcoRI recognizes and cuts the sequence GAATTC. Thus, digesting (cutting) DNA with a particular subset of these enzymes will result in DNA fragments of a defined length. How long the fragments are depends on the enzymes used and the particular sequence of that DNA. *See* Watson et. al., *supra* note 86, at 88-89.

[149] *See* Sambrook, et. al., *supra* note 97.

[150] Patent and Trademark Office, U.S. Dep't of Commerce, Interim Guidelines for the Examination of Patent Applications Under the 35 U.S.C. § 112, para. 1 "Written Description" Requirement 2 (June 9, 1998), available at < http:// www.uspto.gov> [hereinafter Interim Guidelines].

Thus, the guidelines appropriately focus on whether the description somehow conveys to those skilled in the art that the inventor was in possession of what is being claimed. A description discussing a relationship between genes of different species such as rat and human genes or a discussion of the similarity between specific regions of those genes could possibly be an adequate description of the DNA encoding a specific protein in both of those species.[153] In addition, it may be possible for an inventor to possess enough information based on animal models to adequately describe a human cDNA and, thereby, be entitled to claim it. UC's '525 patent specification in *Lilly*, however, did not provide any of this information. It disclosed nothing with respect to any relationship between the cDNA encoding rat insulin and the cDNA encoding human insulin.[154] It is clear that UC did not have any information regarding the human sequence because it had not been cloned at the time of the '525 filing.

Even though the Federal Circuit has not explicitly stated that the actual sequence of a gene must be disclosed in order to claim that gene and the recent USPTO guidelines suggest alternative ways to describe a gene or protein, commentators and patent practitioners have suggested that disclosing the complete sequence may be the only way to adequately describe a cDNA or protein.[155] In *Lilly* the court stated that, "[a] cDNA ... requires a kind of specificity usually achieved by means of the recitation of the sequence of the nucleotides that make up the cDNA."[156] "Some patent experts think the [Lilly] decision could have a broad impact, compelling gene hunters to spell out the exact sequence of all the DNA they hope to claim, rather than just the function of the genes."[157]

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[151] *Id.* at 10.

[152] *Id.*

[153] The development of bioinformatics is beginning to manage the increasing amount of genetic sequence information that is becoming available. Bioinformatics provides ways to analyze DNA and protein sequences and make predictions regarding structure or function relationships. *See* Andreas D. Baxevanis & B.F. Ouellette, *Bioinformatics: A Practical Guide To The Analysis of Genes and Proteins* (1st ed. 1998).

[154] *See Regents of the Univ. of Cal. v. Eli Lilly & Co.*, 119 F.3d 1559, 1567-69 (Fed. Cir. 1997).

[155] *See* Eliot Marshall, "Courts Take a Narrow View of UC's Claims," 277 *Sci.* 1029 (1997).

[156] *Lilly*, 119 F.3d at 1568.

[157] Marshall, *supra* note 155, at 1029; *see also* Dorothy R. Auth, "re ESTs Patentable?,"15 *Nature Biotechnology* 911, 912 (1997) (stating that the *Lilly* decision "suggests that the new standard for the written description requirement--at least in the courts--may well be that sequences claimed must be provided in the specification").

Whether this proves to be the case or not, many would argue that the courts appear to be singling out biotechnology inventions by applying a heightened standard for the written description requirement. In light of prior case law, however, the Federal Circuit is not singling out inventions claiming DNA sequences. The federal courts have applied a similar standard for chemical inventions as well as other types of inventions which encompass unpredictable arts.[158]

Courts have limited the scope of claims for inventions dealing with the unpredictable arts. This has the effect of preventing inventors in those fields from obtaining broad property rights. One skilled in the chemical and biological arts cannot always reasonably predict how different chemical compounds might behave.[159] In these types of cases, the claims are limited by the scope of what the disclosure reasonably teaches to one skilled in the art.[160] A slight change in the structure or composition of a chemical compound can have an unexpected dramatic effect on its properties. Thus, courts have closely scrutinized the disclosure in chemical cases.

The courts and the USPTO also consider biotechnology to be an unpredictable art.[161] A degree of trial and error is normally required before a molecular biologist can know which applications of a given strategy will succeed. Thus, the disclosure in these types of cases is more often an issue. In addition, the court in the leading case, *Amgen, Inc. v. Chugai Pharmaceutical Co.*,[162] classified DNA as a complex chemical suggesting that chemical case law precedent will be applied rather than precedent dealing with other types of biological compounds.[163]

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[158] *See, e.g., In re Smith*, 458 F.2d 1389, 1395 (C.C.P.A. 1972) (holding that "it cannot be said that ... a subgenus is necessarily always implicitly described by a genus encompassing it and a species upon which it reads); *In re Ahlbrecht*, 435 F.2d 908, 912 (C.C.P.A. 1971) (disclosing a species in a foreign application was insufficient to support claims to broader group including the species).

[159] *See Nationwide Chem. Corp. v. Wright*, 458 F. Supp. 828, 839 (M.D. Fla. 1976). *See also Schering Corp. v. Gilbert*, 153 F.2d 428, 433 (2d Cir. 1946) ("organic chemistry is essentially an experimental science and results are often uncertain, unpredictable, and unexpected"); *Ex parte Sudilovsky*, 21 U.S.P.Q.2d 1702, 1705 (Bd. Pat. App. & Interf. 1991) (finding an invention which concerned pharmaceutical activity to be relatively unpredictable because there was no record of analogous activity for similar compounds).

[160] *See Nationwide*, 458 F. Supp. at 839.

[161] *See, e.g., In re Goodman*, 11 F.3d 1046, 1051 (Fed. Cir. 1993) (acknowledging articles showing great unpredictability in the art); *Ex parte Hitzeman*, 9 U.S.P.Q.2d 1821, 1823 (Bd. Pat. App. & Interf. 1988) ("case involves highly unpredictable factors including unique, delicate, and unpredictable biochemical and genetic actions").

[162] 927 F.2d 1200, 1206 (Fed. Cir.), *cert. denied*, 502 U.S. 856 (1991).

[163] *See, e.g., In re Fisher*, 427 F.2d 833, 837-39 (C.C.P.A. 1970) (finding the written description requirement satisfied by the disclosure of a protein having specific and known biological function, without any description of its chemical structure that was unknown).

The predictability of the art is often considered in the context of the enablement requirement in 35 U.S.C. § 112(1).[164] This follows because with unpredictable technology, more information is needed to enable one skilled in the art to make and use the invention. A similar argument can be made for the written description requirement because it also requires an evaluation of the state of the art. The USPTO suggests that "[t]here is an inverse correlation between the level of predictability in the art and the amount of disclosure necessary to satisfy the written description requirement."[165] The standard is whether the written description is adequate to convey to other skilled practitioners that the applicant was in possession of the invention at the time of filing.[166] Thus, the stringency of the written description requirement should also increase with the unpredictability of the art.

In patent cases, the state of the art is determined at the time of filing, not at the time of subsequent court proceedings.[167] Thus, in *Fiers* and *Lilly*, the predictability of the technology was assessed as of the late 1970s.[168] In addition, the issue of compliance with the written description requirement is highly fact-specific.[169] Courts have suggested that broadly articulated rules setting forth a standard for fulfillment of the written description requirement are inappropriate.[170] The CCPA stated in *In re Driscoll*[171] that the precedential value of written description cases is extremely limited. Because scientific technology is always rapidly changing, the law has generally adapted to keep pace with the science. Thus, the written description guidelines proposed by the USPTO may be of limited value with respect to predicting whether a court will uphold the validity of a patent issued under those guidelines.

As biotechnology has advanced, it has become increasingly routine to probe a cDNA library and clone a gene. It may be possible to distinguish *Lilly* by arguing that the written description becomes easier to satisfy as the state of knowledge advances in the field. Generally, a partial amino acid sequence of a protein is enough to design a probe and clone the cDNA encoding that protein.[172] Thus, it is possible that a disclosure similar to that provided in the UC '525 patent would, today, be enough to convey to those skilled in the art that UC was, for all practical purposes, in possession of the full-length gene.

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[164] *See, e.g., In re Wands*, 858 F.2d. 731, 735 (Fed. Cir. 1988).

[165] Interim Guidelines, *supra* note 150, at 6.

[166] *See Regents of the Univ. of Cal. v. Eli Lilly & Co.*, 119 F.3d 1559, 1566 (Fed. Cir. 1997).

[167] *See In re Wright*, 999 F.2d 1557, 1562-63 (Fed. Cir. 1993).

[168] In *Lilly*, UC cloned the rat cDNA encoding insulin in 1977. *Lilly*, 119 F.3d at 1562. In *Fiers v. Revel*, inventors were relying on priority to claims filed in March 1980 and November 1979. 984 F.2d 1164, 1167 (Fed. Cir. 1993).

[169] *See Vas-Cath, Inc. v. Mahurkar*, 935 F.2d 1555, 1562 (Fed. Cir. 1991).

[170] *See In re Wertheim*, 541 F.2d 257, 263 (C.C.P.A. 1976).

[171] 562 F.2d 1245, 1250 (C.C.P.A. 1977).

[172] *See* Sambrook, et. al, *supra* note 97, at § 8.49.

While the level of skill in the art and the predictability of the technology are important considerations in deciding sufficiency of disclosure issues, courts are most likely to give those considerations the most weight when dealing with questions of enablement or obviousness.[173] A separate written description requirement exists in part because of the policy consideration of preventing overreaching by the patentee.[174] Thus, a strong argument can be made that the predictability of the technology should not impact the written description requirement, because one skilled in the art does not necessarily know any more about the structure of a particular DNA even if cloning that DNA would be considered routine.

A patent resulting from applications with prophetic teachings[175] might be issued before significant experimental work had been conducted. Thus, courts have attempted to limit these types of claims. "[A] patent 'is not a reward for the search, but compensation for its successful conclusion.'"[176] The *Amgen*, *Fiers*, and *Lilly* decisions promote the policy of disclosing inventions, not research plans. Requiring inventors to have more than an idea regarding the existence of a compound prevents them from filing before they have actually invented.[177]

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[173] *See generally In re Deuel*, 51 F.3d 1552 (Fed. Cir. 1995); *In re Bell*, 991 F.2d 781 (Fed. Cir. 1993); *In re Wands*, 858 F.2d 731 (Fed. Cir. 1988).

[174] The written description requirement "guards against the inventor's overreaching by insisting that he recount his invention in such detail that his future claims can be determined to be encompassed within his original creation." *Vas-Cath*, 935 F.2d at 1561.

[175] Prophetic claims are problematic in that often an applicant will seek to preempt future developments in a particular field. However, if an applicant discloses a particular invention sufficiently then he or she can obtain a patent without ever reducing the invention to practice. *See supra* note 66 and accompanying text.

[176] *In re Ziegler*, 992 F.2d 1197, 1203 (Fed. Cir. 1993) (quoting *Brenner v. Manson*, 383 U.S. 519, 536 (1966)).

[177] *See Regents of the Univ. of Cal. v. Eli Lilly & Co.*, 119 F.3d 1559, 1566 (Fed. Cir. 1997) ("To fulfill the written description requirement, a patent specification must describe an invention and do so in sufficient detail that one skilled in the art can clearly conclude that 'the inventor invented the claimed invention.'") (quoting *Lockwood v. American Airlines, Inc.*, 107 F.3d 1565, 1572 (Fed. Cir. 1997)); *Fiers v. Revel*, 984 F.2d 1164, 1168 (Fed. Cir. 1993) (finding that "Fiers' disclosure of a method for isolating the DNA of the count ... did not establish conception, since 'success was not assured or certain until the [<<beta>>-IF] gene was in fact isolated and its sequence known'"); *Amgen, Inc. v. Chugai Pharm. Co.*, 927 F.2d 1200, 1206 (Fed. Cir. 1991) ("[W]hen an inventor is unable to envision the detailed constitution of a gene so as to distinguish it from other materials, as well as a method for obtaining it, conception has not been achieved until reduction to practice has occurred, i.e., until after the gene has been isolated.").

The Federal Circuit, without expressly stating it, seems to require proof in the specification that the gene has actually been cloned at the time of filing. The *Amgen* court, discussing the conception of a gene, stated that "when an inventor is unable to envision the detailed constitution of a gene so as to distinguish it from other materials, as well as a method for obtaining it, conception has not been achieved until reduction to practice has occurred, i.e., until after the gene has been isolated."[178] In *Fiers*, the court stated, "[i]f conception of a DNA requires a precise definition ... then a description also requires that degree of specificity."[179] In addition, the court reaffirmed in *Lilly* that the description is required to clearly convey that the inventor invented what is claimed at the time of filing.[180] These statements suggest that the specification must set forth positive proof that the cDNA being claimed has been cloned.

Therefore, because of the policy concern to prevent overreaching by the inventor and the court's statements regarding proof of possession, courts may not retreat from applying a stringent written description standard for inventors claiming DNA sequences, even though the technology has changed significantly since the 1970s. However, because of the fact-sensitive nature of the written description requirement, it is unclear whether the holding in *Lilly* will have a broad impact on other types of claims involving DNA sequences.

One particularly controversial type of claim is a "hybridization claim." An applicant using a hybridization claim, claims not only a specific DNA, but anything that hybridizes to that DNA under high stringency conditions.[181] Thus, the applicant is attempting to claim DNA sequences related to, but not identical to, the sequence that has been actually cloned. If this kind of claim is valid, a patentee potentially could be entitled to protection for an entire family of related genes, even though only a single gene or part of a single gene has actually been cloned.

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[178] *Amgen*, 927 F.2d at 1206.

[179] *Fiers*, 984 F.2d at 1171.

[180] *Lilly*, 119 F.3d at 1566.

[181] DNA is typically a double-stranded molecule. Each strand is a complement of the other and the strands are joined together by hydrogen bonds between complementary bases (i.e., A=T, G=C). *See* Watson et. al., *supra* note 86, at 225. If the DNA is denatured (by heating), hydrogen bonds are broken, and the DNA becomes single stranded. If a probe has complementary bases to one of the denatured strands, it will hybridize specifically to it. *See Id.* at 243. High stringency conditions are employed to prevent non-specific hybridization from occurring: Allowing the cloning of a specific piece of DNA picked up from a specific hybridization reaction. Hybridization can occur even if there are mismatches between the probe sequence and a DNA sequence in the library. Thus, a probe can be used not only to clone the DNA encompassing it but also related DNA that may have homology to the original DNA of interest. *See Current Protocols in Molecular Biology* §§ 6.0.1-6.4.1 (Federick M. Ausubel et al. eds., 1990) (discussing screening of recombinant DNA libraries and the use of synthetic oligonucleotide probes in hybridization reactions). he claim, "[a]n isolated DNA probe for detecting HIV-X, wherein said DNA probe hybridizes to the nucleotide sequence set forth in SEQ ID NO:1 under the following conditions: hybridization in 7% sodium dodecyl sulfate (SDS), 0.5 M NaPO sub4 pH 7.0, 1 mM EDTA at 50 <<degrees>> C; and washing with 1 % SDS at 42 << degrees>>>> C" is an example of the type of scope the USPTO is willing to allow. *Interim Guidelines*, *supra* note 150, at 13.

DNA patent applications often seek protection for cDNAs associated with "expressed sequence tags" ("ESTs"). ESTs are partial cDNA sequences (usually 150 to 400 base pairs long) which are obtained by randomly selecting clones from a human cDNA library and partially sequencing them.[182] Often, a scientist in possession of an EST will attempt to claim not only the EST itself, but also the full-length gene that encompasses the EST as well as other related genes which will hybridize to the EST under specified stringency conditions.[183] The USPTO has issued at least one patent prior to the patent in Lilly with this type of claim.[184]

Patent applications involving ESTs or other partial cDNAs present two questions with respect to the written description requirement:[185] (1) whether an adequate written description can be provided for claims to DNA which hybridize to the EST; and (2) whether an adequate written description can be provided for a full-length gene which encompasses an EST when that DNA or gene has not yet been cloned. Arguably, both situations can be distinguished from the *Lilly* case. Unlike the UC claims in the '525 patent, sequence information is disclosed that provides a starting point for the claims to DNA that hybridize to and/or encompass that sequence. Any subsequent clones obtained using the EST disclosed will have a sequence based on and homologous to that EST. Thus, similar to claims encompassing a genus of nucleic acids based on a protein sequence, one skilled in the art could envision a large number of species based on the initial structure disclosed.

In *Lilly*, it was unknown whether the human cDNA encoding insulin claimed by UC would hybridize to the rat cDNA encoding insulin. UC investigators did not claim DNA which hybridizes to the rat DNA. Instead, they claimed the rat and human cDNAs and assumed that the rat cDNA was representative of (or at least homologous to) the human cDNA.[186] However, it is clear that the human cDNA itself does not encompass the entire rat cDNA.

A broader reading of Lilly, however, would seem to limit hybridization or EST claims. The CCPA has held that it is not necessary for an inventor to test all the embodiments of his invention, but it is necessary for the specification to allow "one skilled in the art" to recognize the compounds that the inventor has actually invented.[187] Further, *Lilly* appears to require that the inventor have possession of the claimed subject matter to establish that he or she actually invented what is claimed.[188] Thus, a specification must have enough of a written description "to provide guidance to the skilled artisan as to the hundreds or thousands of compounds that are potentially encompassed by the hybridization claim."[189]

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[182] *See* Eisenberg & Merges, *supra* note 2, at 2.

[183] A claim using "comprising language" is open-ended and would include not only the EST itself, but potentially a larger full-length gene that encompasses that EST. *See* Auth, *supra* note 157, at 911.

[184] *See* Lorrie Daggett et al., U.S. Patent No. 5,521,297, issued May 28, 1996.

[185] *See* Eisenberg & Merges, *supra* note 2, at 1 (discussing other patentability issues in addition to the written description requirement with respect to claims involving ESTs).

[186] *Regents of Univ. of Cal. v. Eli Lilly & Co.*, 119 F.3d 1559, 1568-69 (Fed. Cir. 1997).

Although an EST provides a starting point through a disclosure of that sequence, it is difficult to see how an inventor could even begin to describe or conceptualize the characteristics for the full-length gene encompassing the EST or furthermore, anything that the EST may hybridize to. In addition, the Federal Circuit's concern for the overreaching inventor would apply to these claims to an even greater degree than UC's claims to the human cDNA encoding insulin in *Lilly*.

The specific limits on the ability of an inventor to assert broad claims based on the discovery of a single gene described in *Lilly* could similarly apply to EST claims.[190] In discussing genus and species claims, the *Lilly* court acknowledged consistent patent law requiring an inventor to name more than one species to provide a proper basis for claims to an entire group.[191] The *Lilly* court was concerned with UC's claims to all mammalian and vertebrate cDNAs encoding insulin based only on the written description of the rat insulin gene.[192] If the description of a single species does not describe an entire group encompassing that species, then similarly a description of a single EST may not be sufficient to describe a larger group that may hybridize or encompass that EST.

It is unclear how broadly the courts will apply the *Lilly* decision. The USPTO has attempted to provide broad guidelines consistent with Federal Circuit precedent.[193] The rapid advancement of biotechnology coupled with the complexity of nucleic acids and the level of unpredictability in the art makes it difficult, however, to predict what will happen once hybridization claims and other broadly asserted claims are challenged in the courts.

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[187] *See In re Angstadt*, 537 F.2d 498, 502 (C.C.P.A. 1976) (discussing the unpredictability of the chemical art and the standard for disclosure with respect to the determination of claims which may work to produce hydroperoxides and those which do not).

[188] *Lilly*, 119 F.3d at 1566.

[189] Auth, *supra* note 157, at 912.

[190] *Lilly*, 119 F.3d at 1568.

[191] *Id.* at 1569; *see also In re Grimme*, 274 F.2d 949, 952 (C.C.P.A. 1960); M.P.E.P. §§ 804.06(a)-(j) (6th ed. 1995 & Supp. 1997) (discussing genus and species claims).

[192] *Lilly*, 119 F.3d at 1568-69.

[193] *Interim Guidelines*, *supra* note 150.

VIII. Is the *Lilly* Decision Consistent with Overarching Patent Law Policies?

To conform to the constitutional requirement of promoting the progress of science and the useful arts, the patent system seeks to encourage innovation by rewardingindividuals with the right to exclude others from practicing their inventions for a set period.[194] The inventor, however, is only granted this right to exclude if he or she fully discloses the invention to the public. This inducement to disclose aids in the rapid dissemination of information to the public so that the technology can be improved and built upon.

In one sense, the Federal Circuit's stringent written description requirement for DNA inventions seems to be at odds with this goal by actually harming an inventor who has made the initial important discovery. The CCPA, in a chemical case, stated, "[a]s pioneers ... they would deserve broad claims to the broad concept. What were once referred to as 'basic inventions' have led to 'basic patents,' which amounted to real incentives, not only to invention and its disclosure, but to its prompt, early disclosure."[195] Thus, in the case of claims to a gene, an inventor working with animal models might delay initial disclosure until he or she had actually cloned the human gene as that gene is the one which most likely will have therapeutic and commercial value.[196] In addition, permitting an inventor to assert broad claims, without the investment of actually making the invention, allows an inventor with limited resources to effectively compete in the biotechnology industry.

A more compelling argument, however, suggests that these types of prophetic claims must be limited because of the need to protect the public from the overreaching patentee.[197] Allowing an inventor to claim more than he has actually invented potentially has an even greater detrimental effect on the advancement of technology. Broadly asserted claims based on the discovery of a single gene have the potential to block off entire areas of research and development. The Cohen-Boyer patent on recombinant DNA technology had the potential to slow the development of commercial biotechnology to a crawl.[198] Similarly, allowing investigators to claim entire groups of genes based on a single discovery may have the effect of slowing down the progress of science and technology. In a discussion of EST claims, patent practitioners expressed concern that allowing broad claims "would be strong disincentive for further investment in the biotechnology industry."[199]

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[194] *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 151 (1989).

[195] *In re Koller*, 613 F.2d 819, 824 (C.C.P.A. 1980).

[196] See Brief of Appellant at 9, *Regents of the University of California v. Eli Lilly & Co.*, 119 F.3d 1559 (Fed. Cir. 1997) (No. 96-1175).

[197] Response Brief of Appellee to Petition for Rehearing at 1, *Regents of the University of California v. Eli Lilly & Co.*, 119 F.3d 1559 (Fed. Cir. 1997) (No. 96-1175).

[198] *See* Philippe Ducor, "Are Patents and Research Compatible?," 387 *Nature* 13 (1997). The Cohen-Boyer patent is assigned to Stanford University. *Id.*

[199] Auth, *supra* note 157, at 911.

This point is clearly illustrated by considering how a decision to uphold the validity of UC's patent in *Lilly* would affect obviousness law. Of the three major requirements that an invention must satisfy (utility, novelty, and nonobviousness), the nonobviousness hurdle is often the most difficult to meet.[200] The court, in *Lilly*, stated "a description that does not render a claimed invention obvious does not sufficiently describe that invention for purposes of 35 U.S.C. § 112, ¶ 1."[201] Thus, the *Lilly* court was saying that a disclosure of the rat insulin gene along with the rat and human insulin proteins does not make the human gene obvious. Had the court determined alternatively that UC's description rendered the human gene obvious, all other researchers who might subsequently clone a gene and corresponding protein from other species would be effectively blocked from obtaining patents on those molecules. Under this hypothetical ruling, an inventor could plausibly argue that homologous genes and proteins present in other species as well as any functional variant were obvious once a single gene and corresponding protein had been discovered. To avoid such a profound effect on the patentability of such a broad number of potential compounds, the *Lilly* court could not reasonably find that the '525 specification satisfied the written description requirement.

A recent article describes the decision in *Lilly* as "an unmitigated disaster that if followed, has the potential for causing untold havoc in the biotechnology field."[202] However, it would seem that the holding in *Lilly* actually avoided a disaster that would have crippled the biotechnology industry. The enormous amount of time and money companies spend to study DNA and protein variants, to clone homologous genes and protein family members, and to mine databases would no longer be justified had the court found the written description in '525 adequate.

Through application of the written description requirement, courts can distinguish between claims to technologies that are too broad or basic to justify patent protection, and those dealing with other types of technologies that are more predictable and may justify broader protection. Thus, the Federal Circuit has decided that the uniqueness of biotechnology inventions claiming DNA sequences requires the application of a stringent written description requirement to protect the public from inventors seeking to slow the pace of research by preempting future developments before they arrive.

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[200] *See* 35 U.S.C. § 103 (1994 & Supp. II 1996). To make out a case of obviousness, one must: (1) determine the scope and content of the prior art; (2) ascertain the differences between the prior art and the claims in issue; (3) determine the level of skill in the pertinent art; and (4) evaluate any evidence of secondary considerations. *See Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966). *See also* Kenneth G. Chahine, "Building the Proper Foundation for Genomics-Based Patents," 16 *Nature Biotechnology* 683 (1998) (discussing the "crumbling obviousness standard" for DNA-related patents).

[201] *Lilly*, 119 F.3d at 1567.

[202] Harris A. Pitlick, "The Mutation on the Description Requirement Gene," 80 *J. Pat. & Trademark Off. Soc'y* 209, 222 (1998).

CONCLUSION

The application of the written description requirement to biotechnology inventions claiming DNA sequences is an exciting area of patent law that remains unsettled after *Lilly*. The uncertainty in this area stems from the necessity that the law continually adapt to keep pace with science. Recombinant DNA technology was still in its infancy when the University of California filed its first patent application on the human insulin gene. This technology, however, has changed considerably over the past twenty years to the point where cloning a gene is considered routine. In addition, the courts have consistently emphasized the fact-specific nature of issues involving the written description requirement.

The Federal Circuit's emphasis on the written description requirement, however, is likely to continue. In the *Lilly* case, the court did not focus on the state of the art or the predictability of the technology.[203] The *Lilly* court was most concerned with limiting claims to DNA sequences actually invented at the time of filing. The problem of the overreaching inventor is and will continue to be particularly acute for inventions involving DNA and protein molecules. Thus, it is unlikely the courts will retreat from a stringent application of the written description requirement for these types of inventions in the near future.

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[203] *See supra* notes 131-39 and accompanying text.

CARNEGIE-MELLON UNIVERSITY
INTELLECTUAL PROPERTY POLICY

1. Purpose

The policy reflects the following goals:

- To create a university environment that encourages the generation of new knowledge by faculty, staff, and students.
- To facilitate wide transfer of useful inventions and writings to society.
- To motivate the development and dissemination of intellectual property by providing appropriate financial rewards to creators and the university, and administrative assistance to creators.
- To ensure that the financial return from the development of intellectual property does not distort decisions and operations of the university in a manner contrary to the mission of the university.

The policy is based upon the following principles relating the university to society:

- The mission of the university remains the generation and dissemination of knowledge.
- Intellectual property will be generated within the university, and there exists an obligation to disseminate it. An interface is needed if better technology transfer is to be achieved, and the university will provide mechanisms for that function.[1]

The policy is based upon the following principles relating faculty, staff and students to the university.

- Intellectual property is created by individuals, or by groups of individuals, who are entitled to choose the course of disclosure; academic freedom of individuals is a higher priority than possible financial rewards.
- There exists a historical tradition allowing authors to retain ownership of intellectual property rights from textbooks and works of art.
- The university is the support of the whole campus community, and is thereby entitled to share in financial rewards.

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[1] This document presumes the existence of a university office to facilitate technology transfer. Such an office would serve as a clearinghouse for contacts with outside partners, would perform patent and copyright tasks, and would develop an effective marketing capability.

- There should be incentives for all parties to pursue financial rewards together, consistent with the expressed goals of the policy. The distribution of these rewards should reflect, insofar as possible, the creative contributions of the creator, and the resources contributed by and risks assumed by both the creator and the university in developing intellectual property.
- Since it is frequently difficult to meaningfully assess risks, resources and potential rewards, negotiated agreements are to be encouraged whenever possible.

2. Definitions

Certain terms are used in this document with specific meanings, as defined in this section. These definitions do not necessarily conform to customary usage.

Intellectual Property includes any patentable invention, any copyrightable subject matter, or trade secret. It also includes works of art, and inventions or creations that might normally be developed on a proprietary basis.

University means Carnegie Mellon.

Student means any full-time or part-time graduate or undergraduate student, regardless of whether the student receives financial aid from the university or from outside sources. It is the responsibility of students who are also employees of other outside entities to resolve any conflicts between this policy and provisions of agreements with their employers prior to beginning any undertaking at the university that will involve the development of intellectual property.

Faculty means members of the university's Faculty Organization as defined in the Faculty Handbook, plus instructors and special faculty appointments (even in the first year), and part-time faculty.

Staff means any employee of the university other than students and faculty as defined above. If a student is also a part-time university employee, he is considered as staff with regard to intellectual property developed as a result of his employment, and as a student with regard to other intellectual property. A full-time non-faculty employee who is also taking one or more courses is considered to be staff. Visitors to the university who make substantial use of university resources are considered as staff with respect to any intellectual property arising from such use. (The distinction between faculty and staff does not affect intellectual property rights except for representation on the Intellectual Property Adjudication Committee [see Section 5].)

Creator means any person or persons who create an item of intellectual property.

Net proceeds to the university means all proceeds received by the university on intellectual property that it assigns, sells or licenses, minus any application, litigation, interference, or marketing costs directly attributable to the intellectual property being licensed. Deducted costs shall be reasonable and fair, and shall be properly disclosed; the sources and amounts of compensation shall also be properly disclosed.

Net proceeds to the creator means all proceeds received by the creator from intellectual property owned by him that he sells, assigns or licenses, less the costs of application, legal protection, or litigation, interference, travel and other marketing costs directly attributable to the intellectual property being exploited. Such net proceeds do not include compensation legitimately received by the creator for consulting services or interest or other return on invested labor or capital. Deducted costs shall be reasonable and fair, and shall be properly disclosed; the sources and amounts of compensation shall also be properly disclosed.

Substantial use of university facilities means extensive unreimbursed use of major university laboratory, studio or computational facilities, or human resources. The use of these facilities must be important to the creation of the intellectual property; merely incidental use of a facility does not constitute substantial use, nor does extensive use of a facility commonly available to all faculty or professional staff (such as libraries and offices), nor does extensive use of a specialized facility for routine tasks. Use will be considered "extensive" and facilities will be considered "major" if similar use of similar facilities would cost the creator more than $5000 (five thousand dollars) in constant 1984 dollars if purchased or leased in the public market. Creators wishing to directly reimburse the university for the use of its facilities must make arrangements to do so before the level of facilities usage for a particular intellectual property becomes substantial. (This provision is not intended to override any other department or university policy concerning reimbursement for facilities usage.)

In general:

In any given year the equivalent figure for a particular amount of money in constant 1984 dollars will be obtained by multiplying that amount of money by the ratio of the most recent quarterly Disposable Personal Income Deflator divided by the average monthly Disposable Personal Income Deflator for the year 1984.

As used in this policy, the masculine gender includes the feminine gender, singular or plural, wherever appropriate.

3. Policy Provisions

This section states the policies concerning ownership of intellectual property created at the university. In order of precedence, ownership of intellectual property shall be as follows:

3-1. Externally Sponsored Work

Ownership Provisions: Intellectual property created as a result of work conducted under an agreement between an external sponsor and the university that specifies the ownership of such intellectual property shall be owned as specified in said agreement. If the university declares itself to be a sponsor, but does not declare itself to be the owner of the intellectual property, ownership shall be determined in accordance with 3-6-4 below.

Procedural Provisions: It is the responsibility of the Office of Sponsored Research of the university to inform each person whose intellectual property rights are limited by an externally sponsored contract of the intellectual property provisions of that contract in advance of the beginning of work thereon. Such notice is to be in writing and the university may require written acknowledgment of such provisions by any person working on externally sponsored projects. A summary of external sponsorship agreements limiting the intellectual property rights of potential creators will be maintained by the Office of Sponsored Research and will be available to the general university community.

If the university fails to notify a creator, effectively and in advance, of limitations imposed on his intellectual property rights by external sponsorship agreements, the creator is entitled to receive from the university 50% (fifty percent) of the net proceeds to the university resulting from his intellectual property.

3-2. Internally Sponsored Work

Ownership Provisions: When the university provides funds or facilities for a particular project to the extent of substantial use, it may also choose to designate itself as sponsor of that work. The university may declare itself the owner of intellectual property resulting from said work. In such cases the university must specify in advance the disposition of any intellectual property rights arising from the project. If the university declares itself to be a sponsor, but does not declare itself the owner of the intellectual property, ownership shall be determined in accordance with 3-6-4 below.

Procedural Provisions: It is the responsibility of the Office of Sponsored Research of the university to inform each person whose intellectual property rights are limited by internally sponsored work of the intellectual property ownership rights specified by the university as to that work in advance of the beginning of work thereon. Such notice is to be in writing and the university may require written acknowledgment of such provisions by any person working on internally sponsored projects. A summary of work for which university sponsorship limits the intellectual property rights of potential creators will be maintained by the Office of Sponsored Research and will be available to the general university community.

If the university fails to notify a creator, effectively and in advance, of limitations imposed on his intellectual property rights by internal university sponsorship, the creator is entitled to receive from the university 50% (fifty percent) of the net proceeds to the university resulting from his intellectual property.

3-3. Individual Agreements

Ownership Provisions: Intellectual property which is the subject of a specific agreement between the university and the creator(s) thereof shall be owned as provided in said agreement. Such agreements by the university and the faculty are encouraged.

Procedural Provisions: Except where limited by external sponsorship agreements, creators and the university may negotiate individual agreements to govern ownership of intellectual property regardless of the applicability of any other provision hereof.

3-4. Intellectual Property Created Within Scope of Employment

Ownership Provisions: Intellectual property created by university employees who were employed specifically to produce a particular intellectual property shall be owned by the university if said intellectual property was created within the normal scope of their employment. Faculty are presumed not to be hired to produce a particular intellectual property. On the other hand, computer programs written on the job by staff computer programmers would fall under this provision.

3-5. Public Dedication

Ownership Provisions: Except when limited by subparts 3-1, 3-2, 3-3 or 3-4 above, the creator of any intellectual property may choose to place his or her creation in the public domain. In such cases both the creator and the university waive all ownership rights to said property.

Procedural Provisions: Creators wishing to place their intellectual property in the public domain are responsible for ascertaining that the right to public dedication of that intellectual property is not limited by any external agreement, university sponsorship arrangement or terms of employment as described in Provisions 3-1, 3-2 or 3-3. The university provost will provide such a determination in writing upon request by the creator. It is also the creator's responsibility to ensure that disclosure does not include valuable intellectual property owned by others. (This provision does not release the university from its general obligation to notify creators of limitations to intellectual property rights specified in Provisions 3-1 and 3-2.)

To facilitate the actual transfer of knowledge of the intellectual property to the public at large, the creator shall provide the university with a complete description and documentation of the property placed in the public domain, specifically including a copy of the property in the case of printed material, and complete machine-readable source code in the case of software. All such material provided to the university will be placed in the University Library and made available to the public at large. The university will take appropriate action on a regular basis to publicize summary descriptions of intellectual property recently placed in the public domain. The university will also provide any member of the general public copies of such material on a cost-recovery basis.

The provisions of this section do not apply to the normal scholarly or creative publication processes unless the creator intends to waive all proprietary rights to the publication.

3-6. In General

Unless governed by subparts 3-1, 3-2, 3-3, 3-4 or 3-5 above, ownership of intellectual property created at the university shall be determined as follows:

3-6-1. Traditional Rights Retained

Ownership Provisions: In keeping with academic traditions at the university, the creator retains all rights to the following types of intellectual property, without limitation: books (including textbooks), educational courseware, articles, non-fiction, novels, poems, musical works, dramatic works including any accompanying music, pantomimes and choreographic works, pictorial, graphic and sculptural works, motion pictures and other similar audio-visual works, and sound recordings, regardless of the level of use of university facilities. This provision does not include computer software (other than educational courseware) or data bases.

Procedural Provisions: The types of intellectual property listed in the preceding paragraph share the attribute that they display information or visual or auditory appearances which are fully revealed to the purchaser or consumer. Thus, for example, source code listings would also be considered within this category. On the other hand, most computer software and data bases do not share this attribute; they are characterized by their capacity to perform tasks. Because of their utilitarian nature, ownership rights with respect thereto are governed by 3-6-3 or 3-6-4. Educational courseware is included in this provision in all cases because of its role in furthering the primary educational mission of the university.

This provision applies regardless of any university sponsorship of the work, and it may be modified only by a specific prior agreement between the creator and the university. The use of university-owned computers and other facilities in the preparation of books and similar works does not alter this provision, though other university policies may limit such use or require reimbursement to the university. Similarly, the use of externally sponsored resources does not alter this provision, unless the creator is effectively notified in advance of such limitations to his rights in accordance with 3-1.

3-6-2. No Substantial Use of University Facilities

Ownership Provisions: The creator owns all intellectual property created without substantial use of university facilities, including intellectual property rights in computer software and data bases.

3-6-3. Substantial Use of University Facilities - No External or Internal Sponsorship

Ownership of intellectual property created with substantial use of university facilities, but not directly arising from externally sponsored work, or from work for which the university has declared itself as sponsor, shall be determined as set forth hereinafter depending on whether the creator or the university develops said property.

3-6-3-1. Development by Creator

Ownership Provisions: The creator originally owns intellectual property created with substantial use of university facilities but no external or internal sponsorship, and retains said ownership by commercial development of said property subject to the following: (i) the university shall receive 15% (fifteen percent) of the net proceeds to the creator above $25,000 (twenty-five thousand dollars) in constant 1984 dollars from all sources (in the case of patents and copyrights, this provision shall be limited to the life of the patent or copyright), and (ii) the university shall receive a perpetual, non-exclusive, non-transferrable, royalty free license to use said intellectual property. In the case of software, this license includes access by specified university personnel to the source listings, and the university shall require each person to whom a disclosure is made to execute in advance a binding confidentiality agreement in favor of and enforceable by the creator. If the intellectual property is created solely by a student or students, the creator is exempt from the obligation to pay to the university a fraction of his net proceeds, but not from the provision of this paragraph for a non-exclusive license to the university.

Procedural Provisions: If the creator develops an intellectual property that is covered by this provision, he must make full and fair disclosure to the university of all such sources of compensation relating to that intellectual property.

3-6-3-2. Development by the University

Ownership Provisions: When intellectual property is created with substantial use of university facilities, but not directly arising from sponsored research, the creator will originally retain the rights to the property, provided that he desires to commercially develop the property himself or to make it available to the public. If, however, the creator elects not to commercially develop same or fails to show diligence in pursuing such development, then the ownership rights to that property may be acquired by the university. Intellectual property acquired by the university in this fashion will be treated as in 3-6-4-1 below.

Procedural Provisions: At the time the intellectual property is disclosed to the university's provost as required under Section 4-1, or at any time thereafter, the university may request that the creator decide whether he will develop the intellectual property or will grant the rights to the university, and execute documents to pass on the title. Such a decision must be made within one year of the request or the creator will automatically lose his rights in favor of the university.

3-6-4. Substantial Use of University Facilities - External or Internal Sponsorship

Ownership of intellectual property created with substantial use of university facilities and directly arising from work sponsored under an agreement between an external sponsor and the university, or from work for which the university has declared itself a sponsor, but for which neither the external sponsor nor the university have specified the ownership of resulting intellectual property shall be determined as set forth hereinafter depending on whether the creator or the university develops said property.

3-6-4-1. Development by University

Ownership Provisions: The university originally owns intellectual property created with substantial use of university facilities provided by an external agreement or internal university sponsorship and retains said ownership by commercial development of said property, subject to the following: in all cases, the creator shall receive 50% (fifty percent) of the net proceeds to the university.

Procedural Provisions: When an intellectual property is created with substanial use of university resources provided by an external research contract or a specific university sponsorship agreement, and when that contract or agreement either does not specify the disposition of the intellectual property rights arising from that sponsorship, or it permits the university and/or creator to retain or acquire such intellectual property rights, the university will originally retain the rights to such intellectual property.

3-6-4-2. Development by Creator

Ownership Provisions: When intellectual property is created with substantial use of university facilities provided by external or internal sponsorship, the university will originally retain the rights to the property, provided that it desires to commercially develop the property or to make it available to the public. If, however, the university elects not to commercially develop same or fails to show diligence in such development, the ownership rights to that property may be acquired by the creator. Intellectual property acquired by the creator in this fashion will be treated as in 3-6-3-1 above. This assignment of rights to the creator may be prohibited by the terms of an external sponsorship agreement with the university or by an internal university sponsorship declaration, but in such cases the creator must be notified in advance, as in Provisions 3-1 and 3-2.

Procedural Provisions: At the time the intellectual property is disclosed to the university's provost as required by Section 4-1, or at any time thereafter, the creator may request that the university decide whether it will commercially develop the intellectual property or execute an assignment of the intellectual property rights to the creator. Such a decision must be made within 120 (one hundred twenty) days of the request or the university automatically waives its rights in favor of the creator, and it must execute an assignment of these rights to the creator.

3-6-5. Consulting Agreements

Ownership Provisions: Work done by individuals as consultants to outside firms is presumed not to involve unreimbursed substantial use of university facilities, and the rights to intellectual property created under consulting agreements are retained by the outside firms or the individual as specified by the terms of the consulting agreement and the terms of Provision 3-6-2 above.

Procedural Provisions: Under university policy consulting work must not make substantial unreimbursed use of university facilities except by explicit prior agreement. Any member of the university community who is engaged in consulting work or in business is responsible for ensuring that provisions in his agreements are not in conflict with this policy of the university or with the university's commitments. The university's office for Technology Transfer will, upon request, provide assistance in this respect. The university's rights and the individual's obligations to the university are in no way abrogated or limited by the terms of such agreements. Each creator of intellectual property should make his obligations to the university clear to those with whom he makes such agreements and should ensure that they are provided with a current statement of the university's intellectual property policy. Appropriate sample contract wording to cover various possible external consulting arrangements shall be available from the university provost.

4. General Procedures

4-1.

The creator of any intellectual property that is or might be owned by the university under this policy is required to make reasonably prompt written disclosure of the work to the university's provost, and to execute any document deemed necessary to perfect legal rights in the university and enable the university to file patent applications and applications for copyright registration when appropriate. This disclosure to the provost should be made at the time when legal protection for the creation is contemplated, and it must be made before the intellectual property is sold, used for profit, or disclosed to the public. Whenever legal protection for intellectual property is anticipated all persons engaged in such creative activity are encouraged to keep regular notebooks and records.

4-2.

Whenever the university undertakes commercial development it shall do so, if possible, in a fashion that provides for the widest possible dissemination, avoiding suppression of inventions from which the public might otherwise benefit, providing for non-exclusive licensing at reasonable royalties, and giving consideration to more favorable or royalty-free licensing to non-profit charitable institutions, minority businesses or enterprises in developing countries.

4-3.

The university's share of any proceeds under this policy will be used to reimburse the university for its expenses for commercial development of intellectual property. Any additional return to the university will be used to further the academic purposes of all the disciplines of the entire university.

5. Resolution of Disputes

This policy constitutes an understanding which is binding on the university and on the faculty, staff, and students upon whom it is effective according to the terms of Section 6 below, as a condition for participating in research programs at the university or for the use of university funds or facilities.

Any question of interpretation or claim arising out of or relating to this policy, or dispute as to ownership rights of intellectual property under this policy, will be settled by the following procedure:

1. The issue must first be submitted to the university's Intellectual Property Adjudication Committee in the form of a letter setting forth the grievance or issue to be resolved. The committee will review the matter and then advise the parties of its decision within 60 days of submission of the letter.
2. If any of the parties to the dispute is not satisfied with the committee's decision, the party may seek binding arbitration in Pittsburgh, Pennsylvania and in accordance with the Rules of the American Arbitration Association then in effect. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The arbitrator(s) will give some weight to the decision of the Intellectual Property Adjudication Committee in reaching a decision. The losing party of the arbitration hearing will pay for all costs of the arbitration unless the arbitrator(s) specifies otherwise.

The Intellectual Property Adjudication Committee will consist of a chair who is a member of the tenured faculty, four other members of the faculty, and four other members representing, respectively, the university administration, the technical staff, and the graduate and undergraduate student bodies. Initially, half of the members of the committee (including the chair) will be appointed for two-year terms of office, and the remaining half will be appointed for a one-year term. After one year new members of the committee will be appointed for two-year terms of office. The chair will be appointed by the chair of the Faculty Senate, with the advice and consent of the Faculty Senate Executive Committee, and the remaining eight members of the committee will be appointed by the president of the university or his designee. At all times at least one of the faculty members will have had significant practical experience with intellectual property development and exploitation. The faculty members appointed by the president of the university will be selected from a list of nominees prepared by the Faculty Senate or its designated committee and nominees with experience in intellectual property development will be identified as such by the Faculty Senate. The staff representative will be selected from a list of nominees prepared by Staff Council, and the administration representative will be named directly by the president of the university or his designee. The graduate student representative will be selected from a list of nominees prepared by the Graduate Student Organization. The undergraduate representative will be chosen from a list of nominees prepared by the Student Senate. The committee will use the guidelines set forth in this policy to decide upon a fair resolution of any dispute.

If possible, the committee will also provide on request informal advisory opinions to creators and the university indicating how it is likely to interpret the provisions of this policy as it applies to special cases.

6. Effective Date of Policy

This policy will become effective August 27, 1985. Once effective this policy will be binding on new faculty, administration, and staff when hired, and on graduate and undergraduate students when admitted. Current faculty and staff will also become bound by this policy when they sign new employment contracts as the result of the renewal of limited-term appointments or promotion. Other university personnel, including tenured faculty, and current staff and students may choose to become bound by this policy for future and pending intellectual property by voluntary written consent. Unless the creator and the university agree to a different arrangement, intellectual property that is already partially developed at the time this policy becomes effective will be treated according to the provisions of the patent policy by which the creator is currently bound. Similarly, members of the university working under contracts signed before the effective date of this policy who do not choose to accept this policy will remain bound by the patent policies that already apply to them. With respect to intellectual property developed during the course of employment at the university, this policy shall continue to be binding on any person whose relationship with the university becomes terminated. The university should take all administrative steps necessary to ensure that employees and students sign, upon initial employment, registration or at other appropriate times, forms that indicate their acceptance of this policy.

7. Amendments of the Policy

Amendments of this policy may be proposed by the Faculty Senate, Staff Council or university administration. Proposed amendments must be approved by a two-thirds majority of votes in the Faculty Senate and subsequently approved by a simple majority of votes cast in a referendum administered by the Faculty Senate that is open to all members of the faculty as defined by this policy and to the exempt staff, provided that this majority constitutes at least 25% (twenty-five percent) of those eligible to vote. This referendum must be preceded by an opportunity for public discussion open to all interested faculty, administration, staff and students. Amendments that are supported by the faculty and staff must then be approved by the president of the university and adopted by the university trustees. Once adopted, amendments will become binding on new faculty, administration, and staff when hired, on existing faculty and staff when they sign new employment contracts, and on graduate and undergraduate students when admitted. Other university personnel, including tenured faculty, and current staff and students may choose to become bound by this policy for future and pending intellectual property by voluntary written consent. Intellectual property that is already developed or under development at the time that an amendment to the policy is ratified will not be bound by the terms of the amendment without the voluntary written consent of both the creator and the university.

ARIZONA BOARD OF REGENTS
PATENT POLICY

Adopted September 11, 1987

A. General Statement

It is in the interest of the Arizona Board of Regents to encourage faculty and staff members of the institutions under its jurisdiction to undertake creative endeavors and to receive recognition therefor. In general, inventions created by employees, faculty and staff become the property of the Board and the benefits accruing to the Board derived from such inventions will be used to further the academic or research program of the respective universities. Each university may patent, market, and license inventions using its own resources or may make an agreement with one or more patent management organizations to undertake such activities for it. In either instance, the net income derived by the university will be shared with the inventor in accordance with this policy, and the remainder will be used to support research, investigation, or research fellowships. The Board recognizes that in the interests of industry-university cooperation, state legislation encouraging technology transfer and Board policy supporting research agreements which provide income supplementing research support, title to an invention may be assigned to industry, provided that the assignment documents contain provisions assuring adequate consideration is received by a university, which may include a payment for assignment, a royalty, a reassignment of right which may be exercised by the university in the event that the industry does not commercialize the invention and the right of the university to retain a royalty-free license for use of the assigned invention. It is not contemplated that this patent policy involves questions of copyright ownership.

B. Patents or Inventions

• 1. Any discovery or invention (a) resulting from research carried on by or under the direction of any employee of a university and having all or part of the cost thereof paid from university funds or from funds under the control of or administered by the university or the Board; or (b) which is made by any employee of a university as a direct result of his duties with a university; or (c) which has been developed in whole or in part by any employee, student or other person through the utilization of university resources or facilities, belongs to the Board and shall be used and controlled in ways to produce the greatest benefit to the university involved and to the public and shall, at the same time, provide a corresponding benefit to the inventor.

• 2. Such discovery or invention must be submitted to the individual at the university involved who has been designated by the president of that university to be in charge of discoveries and inventions. The submission shall be made through the head of the department and the dean of the college or administrative officer concerned for determination as to disposition.

- 3. The individual designated as in charge of discoveries and inventions shall direct that such discovery or invention be either :

    - a. Released outright to the discoverer or inventor in the event he determines that the discovery or invention does not meet the criteria set forth in paragraph B.1 above.

    - b. Released outright to the discoverer or inventor in the event he determines that the discovery or invention does not merit or warrant exploitation.

    - c. Assigned to one or more patent management organizations with whom that university deals for commercial development by such organizations.

    - d. Released to the individual or organization sponsoring the research under which the invention or discovery was made if such action is required under the terms of the research contract with such organization or individual or is required by law.

    - e. Patented by the university and licensed to another organization for commercialization.

    - f. Patented by the university and subsequently assigned to another organization pursuant to the provisions of this section.

- 4. The discoverer or inventor shall be required, if requested by the university official designated to be in charge of discoveries and inventions, to fully cooperate with the university in the application for patent protection on such discoveries or inventions in such countries as may be designated by the said university official and to assign his interest therein to the university involved. All costs involved in obtaining and maintaining patent protection, domestic and foreign, shall be borne by the involved university or its nominee.

- 5. In the event that income is received by the university from any patent assigned in accordance with requirements of paragraph 3 above, a share of the net income received by the university shall be paid to the inventor or discoverer as additional consideration for the assignment of the discoveries or inventions and patent rights based thereon to the university. Net income shall be defined as gross revenues resulting from a given discovery or invention less all costs incurred by the involved university or its nominee in perfecting the said discovery or invention and in obtaining and maintaining patent protection, domestic and foreign. This share is to be determined by the individual at that university designated as being in charge of discoveries or inventions as set forth in C.3. In determining the amount of such share, recommendations from the patent management organization and from any other knowledgeable source may be considered.

- **6.** A university may enter into an agreement with an organization which assigns title to or rights equivalent to title in any patent held by the university. A university may also accept a grant or contract from an organization which assigns title or rights equivalent to title to the sponsor or which gives to the sponsor an exclusive option for a limited period of time (not to exceed one year from the filing of a patent application on the potential discovery) for the right of first refusal to obtain an exclusive license. The terms and conditions of such a license shall be negotiated on behalf of the university by the designated university patent official or by the patent management organization, if any, representing the university upon the exercise of such option. The inventor(s) and other university officials designated by the university shall approve the agreement.

- **7.** In the event the university wishes to assign the title, or rights equivalent to title, the designated patent official, when drafting the agreement, will include in the agreement the following provisions:

  - **a.**

    - **1)** An assignment fee of at least fifty percent of the total project support including all future contract modifications or extensions; or

    - **2)** An assignment fee between thirty percent and fifty percent of the total project support including all future conract modifications or extensions and a royalty agreement providing for payments not less than one percent of the net sales resulting from the invention. Net sales shall be defined as gross sales less any returns, credits, allowances, or rebates granted by the transferee, and any government taxes or charges paid by the transferee.

  - **b.** A reassignment right exercisable by the university following a two year period if the assignee has not and is not making a good-faith attempt to commercialize the assigned technology.

  - **c.** The right of the university to retain a royalty-free license for use of the assigned invention.

- **8.** Notwithstanding any other provisions of this section, a grant, contract or any other form of agreement between a university and any organization containing a provision assigning title is subject to the final approval by the Board in the event a university employee has a material interest in the contracting organization or any entity engaged in a business relationship with the contracting organization. An employee has a material interest in an organization if he:

  - **a.** Serves as an owner, officer, director, agent, associate, partner, trustee, consultant, holds any position of management, or is otherwise employed by the organization, or

- **b.** Is a stockholder owning three percent or more of the total stock outstanding in any class when stock is not listed on a stock exchange or stock with a total net value in excess of $25,000 when such stock is listed on a stock exchange.

Approval by the Board for either the creation of any organization or any substantial interest in an organization under applicable Arizona law does not exempt any agreement between that university and an organization from the provisions of this subsection.

- **9.** A Fund for the Promotion of Research shall be established by each university. In it shall be deposited all moneys received by the university from financially profitable patents or inventions made by members of its faculty, staff, other employees, students and others.

- **10.** A patent committee of the faculty to consist of not less than five persons shall be appointed by the president of each university. The patent committee shall consider proposed changes in the patent policy of the university and make its recommendations in regard thereto to the president through the individual responsible for discoveries and inventions. The patent committee shall also operate as a review committee in accordance with the provisions of this policy.

C. Procedures

- 1. A disclosure of any invention or discovery made by an employee or student of the university or resulting from research carried on under the direction of an employee or student in which the university may have an interest shall be submitted promptly by such inventor or discoverer to the head of the department with an information copy to the dean of the college or administrative officer. The department head shall append thereto a statement setting forth his opinion concerning the scientific, technical, and economic merit of such discovery, the likelihood and desirability of obtaining a patent, and an estimate of the commercial possibilities of such a patent and transmit such statement to the individual responsible for inventions and discoveries.

- 2. The individual responsible for discoveries and inventions shall determine whether the university will: release the invention or discovery to the inventor or discoverer; pursue patenting and licensing using university resources; forward the invention or discovery to a patent management organization for review and action; or transfer the invention or discovery to a sponsor in accordance with contract requirements. That individual will then take appropriate action to implement the decision and carry the matter to a conclusion.

- 3. A university will pay to the inventor a percentage of the net income it receives from the organization to whom the invention is assigned. The individual responsible for discoveries and inventions will determine the percentage to be paid to the inventor in the following manner:

- The inventor who conceives and /or develops an invention as a result of the work for which he is paid by the university and where he uses university facilities and resources will receive a minimum of fifty percent (50%) of the first ten thousand net dollars ($10,000) received by the university and a minimum of twenty-five percent (25%) of the net amount received by the university in excess of said ten thousand net dollars ($10,000).

4. In the event an inventor does not agree with a decision made by the university individual responsible for inventions and discoveries, the inventor may ask the patent committee to review the decision.

- The patent committee shall review all information submitted to it by the inventor and by the university individual responsible for discoveries and inventions and shall make its recommendation concerning the disputed decision to the president of the university involved who shall make the final decision.

- The final decision of the president is subject to judicial review only pursuant to Arizona Revised Statutes Title 12, Chapter 7, Article 6. Failure to complete the above review procedures shall constitute a failure to exhaust administrative remedies.

UNIVERSITY OF CALIFORNIA
PATENT POLICY

Effective October 1, 1997

- PREAMBLE
- STATEMENT OF POLICY
- PATENT RESPONSIBILITIES AND ADMINISTRATION

I. PREAMBLE

It is the intent of the President of the University of California, in administering intellectual property rights for the public benefit, to encourage and assist members of the faculty, staff, and others associated with the University in the use of the patent system with respect to their discoveries and inventions in a manner that is equitable to all parties involved.

The University recognizes the need for and desirability of encouraging the broad utilization of the results of University research, not only by scholars but also in practical application for the general public benefit, and acknowledges the importance of the patent system in bringing innovative research findings to practical application.

Within the University, innovative research findings often give rise to patentable inventions as fortuitous by-products, even though the research was conducted for the primary purpose of gaining new knowledge.

The following University of California Patent Policy is adopted to encourage the practical application of University research for the broad public benefit; to appraise and determine relative rights and equities of all parties concerned; to facilitate patent applications, licensing, and the equitable distribution of royalties, if any; to assist in obtaining funds for research; to provide for the use of invention-related income for the further support of research and education; and to provide a uniform procedure in patent matters when the University has a right or equity.

II. STATEMENT OF POLICY

A. An agreement to assign inventions and patents to the University, except those resulting from permissible consulting activities without use of University facilities, shall be mandatory for all employees, for persons not employed by the University but who use University research facilities, and for those who receive gift, grant, or contract funds through the University. Such an agreement may be in the form of an acknowledgment of obligation to assign. Exemptions from such agreements to assign may be authorized in those circumstances when the mission of the University is better served by such action, provided that overriding obligations to other parties are met and such exemptions are not inconsistent with other University policies.

B. Those individuals who have so agreed to assign inventions and patents shall promptly report and fully disclose the conception and/or reduction to practice of potentially patentable inventions to the Office of Technology Transfer or authorized licensing office. They shall execute such declarations, assignments, or other documents as may be necessary in the course of invention evaluation, patent prosecution, or protection of patent or analogous property rights, to assure that title in such inventions shall be held by the University or by such other parties designated by the University as may be appropriate under the circumstances. Such circumstances would include, but not be limited to, those situations when there are overriding patent obligations of the University arising from gifts, grants, contracts, or other agreements with outside organizations. In the absence of overriding obligations to outside sponsors of research, the University may release patent rights to the inventor in those circumstances when:

(1) the University elects not to file a patent application and the inventor is prepared to do so, or

(2) the equity of the situation clearly indicates such release should be given, provided in either case that no further research or development to develop that invention will be conducted involving University support or facilities, and provided further that a shop right is granted to the University.

C. Subject to restrictions arising from overriding obligations of the University pursuant to gifts, grants, contracts, or other agreements with outside organizations, the University agrees, following said assignment of inventions and patent rights, to pay annually to the named inventor(s), or to the inventor(s)' heirs, successors, or assigns, 35% of the net royalties and fees per invention received by the University. An additional 15% of net royalties and fees per invention shall be allocated for research-related purposes on the inventor's campus or Laboratory. Net royalties are defined as gross royalties and fees, less the costs of patenting, protecting, and preserving patent and related property rights, maintaining patents, the licensing of patent and related property rights, and such other costs, taxes, or reimbursements as may be necessary or required by law. Inventor shares paid to University employees pursuant to this paragraph represent an employee benefit.

When there are two or more inventors, each inventor shall share equally in the inventor's share of royalties, unless all inventors previously have agreed in writing to a different distribution of such share.

Distribution of the inventor's share of royalties shall be made annually in November from the amount received during the previous fiscal year ending June 30th, except as provided for in Section II.D. below. In the event of any litigation, actual or imminent, or any other action to protect patent rights, the University may withhold distribution and impound royalties until resolution of the matter.

D. The DOE Laboratories may establish separate royalty distribution formulas, subject to approval by the President. Distribution of the inventor's share of DOE Laboratory royalties shall be made annually in February from the amount received during the previous fiscal year ending September 30th. All other elements of this policy shall continue to apply.

E. Equity received by the University in licensing transactions, whether in the form of stock or any other instrument conveying ownership interest in a corporation, shall be distributed in accordance with the Policy on Accepting Equity When Licensing University Technology.

F. In the disposition of any net income accruing to the University from patents, first consideration shall be given to the support of research.

III. PATENT RESPONSIBILITIES AND ADMINISTRATION

A. Pursuant to Regents' Standing Order 100.4(mm), the President has responsibility for all matters relating to patents in which the University of California is in any way concerned. This policy is an exercise of that responsibility, and the President may make changes to any part of this policy from time to time, including the percentage of net royalties paid to inventors.

B. The President is advised on such matters by the Technology Transfer Advisory Committee (TTAC), which is chaired by the Senior Vice President--Business and Finance. The membership of TTAC includes the Provost and Senior Vice President--Academic Affairs, the Director of the Office of Technology Transfer, and representatives from the campuses, DOE Laboratories, Academic Senate, the Division of Agriculture and Natural Resources and the Office of the General Counsel. TTAC is responsible for:

(1) reviewing and proposing University policy on intellectual property matters including patents, copyrights, trademarks, and tangible research products;

(2) reviewing the administration of intellectual property operations to ensure consistent application of policy and effective progress toward program objectives; and

(3) advising the President on related matters as requested.

C. The Senior Vice President--Business and Finance is responsible for implementation of this Policy, including the following:

(1) Evaluating inventions and discoveries for patentability, as well as scientific merit and practical application, and requesting the filing and prosecution of patent applications.

(2) Evaluating the patent or analogous property rights or equities held by the University in an invention, and negotiating agreements with cooperating organizations, if any, with respect to such rights or equities.

(3) Negotiating licenses and license option agreements with other parties concerning patent and or analogous property rights held by the University.

(4) Directing and arranging for the collection and appropriate distribution of royalties and fees.

(5) Assisting University officers in negotiating agreements with cooperating organizations concerning prospective rights to patentable inventions or discoveries made as a result of research carried out under gifts, grants, contracts, or other agreements to be funded in whole or in part by such cooperating organizations, and negotiating with Federal agencies regarding the disposition of patent rights.

(6) Approving exemptions from the agreement to assign inventions and patents to the University as required by Section II.A. above.

(7) Approving exceptions to University policy on intellectual property matters including patents, copyrights, trademarks, and tangible research products.

UNIVERSITY SYSTEM OF MARYLAND
POLICY ON PATENTS

107.0 IV-3.00 -- POLICY ON PATENTS*
(Approved by the Board of Regents, May 31, 1990)

Note: *In Spring 2001, the Board of Regents of the University System of Maryland will consider a new Intellectual Property policy, which will combine and replace both this policy and the Policy on Copyright. As this publication went to press, the policy was still under consideration by various University committees and constituents. Users of this publication should check the following web site after April 2001 for a final version of the new policy: (http://www.usmd.edu/Leadership/BoardOfRegents/Bylaws/SectionIV/IV300.html)*

I. Objectives

The objectives of this policy are to encourage and aid research at the University of Maryland System, to provide financial compensation as well as professional recognition to inventors, and to protect and best serve the public interest. To these ends, this policy encourages disclosure of inventions and discoveries and their evaluation for possible patenting and licensing and establishes principles for determining the rights of the constituent institutions and inventors. The University of Maryland System continues to encourage scholarly publication of the results of faculty and student research.

II. Applicability

A. The University of Maryland System Patent Policy applies to all personnel. As used in this policy, "personnel" means all paid and unpaid full-time and part-time faculty members and staff, and all paid employees (including those on approved leaves); and students and fellows.

III. General Policy

A. The University of Maryland System has an interest in all inventions of personnel which are conceived or first actually reduced to practice as a part of or as a result of: a University System Administration or constituent institution administered program of research; activities within the scope of the inventor's employment by the University System Administration or constituent Institution; or activities involving the use, to a substantial degree, of University System Administration or constituent institution time, facilities, or materials or of University System Administration or constituent institution information not available to the public. "Invention" means any invention or discovery which is or may be patentable or which may be commercially licensable. At the time of appointment of visiting Faculty and staff a signed acknowledgement of this policy will be required. An invention shall be considered as resulting from activities "within the scope of the inventor's employment" whenever his or her duties include research or investigation or the supervision of research or investigation and the invention is relevant to the general field of inquiry to which the inventor was devoted or assigned. "Time, facilities and materials" paid for from funds administered by the University System Administration or constituent institution shall be considered University System Administration or constituent institution time, facilities and materials whether the funds arise from federal or state appropriations, student fees, donations, grants, contracts or other sources.

B. The University System Administration or constituent institution has a right to ownership of any invention in which it has an interest. Unless otherwise agreed, this Policy also applies to any inventions in which the University System Administration or constituent institution has an interest under the terms of contracts, grants or other agreements. An invention in which the University System Administration or constituent institution does not have a legal interest may be offered to the University System Administration or constituent institution, and, if accepted, the University System Administration or constituent institution will administer such invention in accordance with this Patent Policy or as otherwise agreed.

C. Except under special circumstances the University System will not agree to assign rights in future inventions to private corporations or businesses.

IV. Responsibilities of the University of Maryland System and Delegations of Authority

A. The University System shall: (1) notify the inventor promptly whenever it decides not to pursue or to abandon the pursuit of patenting or commercialization of an invention, (2) execute, upon request, all contracts, assignments, waivers or other legal documents necessary to transfer to the inventor the University System's interest in any invention which it has so chosen not to pursue, (3) act with reasonable promptness and in good faith on all inventions disclosed to it, and (4) remit to the inventors their shares of income from inventions as specified in Section VI of this policy. Subject to these responsibilities, the University System may, at any time, decide not to pursue or to abandon the pursuit of patenting and/or commercialization of an invention in which it has an interest.

B. Authority and responsibility for Patent Policy is delegated to the Chancellor (or his designee). The Chancellor (or his designee) may seek the advice and assistance of the University of Maryland System Intellectual Property Committee (hereafter called the Intellectual Property Committee; see Section VIII below). The responsibility for administration of the University of Maryland System Patent Policy (including subparts 1-4 of IV.A.) is delegated to the chief executive officers of constituent institutions, except that rights in future inventions shall not be assigned unless the Chancellor determines in writing that doing so is in the best interests of the System. Each constituent institution shall develop procedures for implementing this policy.

V. Responsibilities of Personnel

A. Personnel who, either alone or in association with others, make an invention in which the University System has or may have an interest shall disclose to the chief executive officer or designee such inventions reasonably promptly. As to an invention in which the University System through the constituent institution has an interest, the inventor, upon request, shall execute promptly all contracts, assignments, waivers or other legal documents necessary to vest in the University System, or its assignees, any or all rights to the invention, including complete assignment of any patents or patent applications relating to the invention.

B. Personnel may not: (1) sign patent agreements with outside persons or organizations which may abrogate the University System's rights and interests as stated in this Policy or which otherwise conflict with this Policy, nor (2) without prior authorization use the name of the University of Maryland System or constituent institutions in connection with any invention.

VI. Revenue Sharing

A. The University System through its constituent institutions shall share with the inventors revenue which it receives from patents or inventions. Specific provisions of grants or contracts may govern rights and revenue distribution regarding inventions made in connection with sponsored research. Consequently, revenues received from such inventions may be exclusive of payments of royalty shares to donors or contractors. Moreover, constituent institutions may contract with outside persons or organizations for the obtaining, managing and defending of patents, and any royalty share or expenses contractually committed to such persons or organizations may be deducted before revenues accrue or before the inventor's share is distributed.

B. The revenues (net, if applicable per the preceding paragraph) which are received from a patent or invention will be applied first to reimburse the University System Administration or constituent institution for any specific, incremental expenses incurred by it in obtaining and maintaining the patent and in marketing, licensing and defending the patent or licensable invention. After provision for such expenses, such revenues shall be shared as follows: (1) the first $5,000 will be paid to the inventor or inventors: (2) thereafter the inventor(s) will receive fifty percent of such revenues. Applicable laws, regulations or provisions of grants or contracts may, however, require that a lesser share be paid to the inventor.

C. To the extent consistent with State and University System budget policies any net revenue received on account of an invention, after sharing with the inventor, will be dedicated to research and to the promotion of patenting and patents. If practicable, eighty-five percent of the University System Administration's or constituent institution's share of new revenue from each invention will be designated for research in the inventor's department or analogous unit up to $100,000 in a fiscal year for a particular department or analogous unit. The remaining part of the net revenues shall be devoted to research and the promotion of patenting and patents as directed by the chief executive officer, or designee (or, for the System Office, the Chancellor or designee).

D. If use of such funds for research within the inventor's department or analogous unit is not practicable or for an amount in excess of $100,000 per fiscal year, the chief executive officer may allocate funds for other use within the institution.

VII. Special Cases

The University System recognizes that special cases will arise which are not specifically covered by this policy or which may justify waivers of this policy. Such cases may be submitted to the Chancellor or designee.

VIII. Administration

A. The Intellectual Property Committee consists of the Vice Chancellor for Academic Affairs or designee as an ex officio member and chair and no more than fourteen other members selected and appointed by the Chancellor from candidates nominated by the chief executive officers of constituent institutions. Members are appointed for three-year terms with non-concurrent expiration dates and may serve successive terms.

B. The Intellectual Property Committee convenes at the call of the Vice Chancellor or designee, who determines when implementation or interpretation of the University of Maryland System Patent Policy requires consideration by the committee. Among the matters which may be referred to the committee for recommendation to the Chancellor are: whether the University of Maryland System has an interest in an invention; questions not covered by policy; and whether some part of the policy should be waived.

C. When the committee is considering a particular invention, the inventor and/or a representative designated by the inventor may examine all materials submitted to the committee, may make written and oral presentations to the committee, and may be present during oral presentations of others.

D. It is recognized that the evaluation of inventions and discoveries and the administration, development and processing of patents involves substantial time and expense and requires talents and experience not ordinarily found in its staff. Therefore, the University System Administration or constituent institution may enter into a contract or contracts with third parties in connection with the administration of identified inventions, disclosures of invention, and developed patents.

E. Disputes on patent matters, including the interpretation of this Patent Policy, shall be referred for resolution to the Chancellor or designee.

V. TRADEMARKS

A. COLLEGE NAMES AND LOGOS

B. INSTITUTIONAL POLICIES

1. Iowa State University
2. University of Notre Dame
3. Indiana University

LOGO COPS: THE LAW AND BUSINESS OF COLLEGIATE LICENSING*

1996 Spring Symposium: Issues Facing College Athletics

Robert Lattinville**

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Robert Lattinville

A wise man will make more opportunities than he finds.
-Francis Bacon

Introduction

Bacon's observation invites comparison to the enterprising accomplishments taking place in the collegiate licensing business. Universities offering intercollegiate athletics have become wise to the virtues of properties licensing. The once fortuitous sale of a college sweatshirt at the campus bookstore has given way to a concerted, sophisticated, national (and increasingly global), endeavor by universities to harvest the bounty of its licensed products. College athletics is big business and the licensing of merchandise capitalizing on its popularity is its latest venture.

In 1995, revenues generated by the sales of officially licensed collegiate products reached $2.5 billion, surpassing the properties revenues of all but one of America's professional sports

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leagues.[1] Recent work stoppages in the National Hockey League and Major League Baseball have prompted disgruntled fans to check the unbridled growth of revenues from professional sports licensing.[2] College athletes have yet to organize a strike. However, administrators of college athletics have taken a lesson from the popularity of professional sports and the enormous success of their licensing programs.[3]

The undeniable success of collegiate licensing belies its contemporary advent.[4] The debut of collegiate sports on television in the 1970s created fans, spawned an awareness of rivalries and rekindled loyalties among alumnae. By the early to mid-1980s, an exponential increase in televising college sports inspired many colleges and universities to implement licensing programs in order to insure control over goods and services bearing collegiate marks.[5] Concurrent with increased interest in their sports, universities experienced a decrease in governmental support. These circumstances cultivated a fertile atmosphere for collegiate licensing programs.[6]

The most recent growth in the collegiate licensing industry is attributable to the tremendous popularity of prominent schools with highly visible athletic programs.[7] At present, slightly over 10%

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[1] Michael Hiestand, "College Merchandise Sales Near Head of Class," *USA Today*, July 25, 1995, at 3C.

[2] During the 1994-95 National Hockey League season, the NHL owners and players reached impasse in their collective bargaining negotiations prompting NHL owners to order a lockout. The lockout cut short the 1994-95 NHL season by thirty-six games. Major League Baseball also experienced a work stoppage in 1994 cutting the regular season short by forty-six games, canceling the playoffs, and resulting in the first year without a World Series since 1904. Baseball's labor strife persisted into 1995, trimming nineteen games off the start of the season. At present, Major League Baseball players are back on the field, but baseball's expired collective bargaining agreement has not yet been replaced.

[3] See Lauren J. Hanna, "Perspective on Collegiate Licensing: State of the Industry," *Licensing J.*, Aug. 1995. Ms. Hanna is General Counsel at Licensing Resource Group, Inc.

[4] Harvard University's application for a trademark of its name in 1991, 355 years after its founding, is a testament to the relative recency of universities' awakening to the benefits of licensing.

[5] *See infra* note 78.

[6] *Id.*

[7] In 1994-95 (June-June), the ten most popular universities in terms of merchandise sales were: 1. Michigan, 2. Florida State, 3. North Carolina, 4. Penn State, 5. Nebraska, 6. Kentucky, 7. Alabama, 8. Georgetown, 9. Tennessee, 10. Arkansas. *See* Hiestand, *supra* note 1. The author notes the conspicuous absence of Notre Dame which, no doubt, was excluded from the source's rankings as the proprietor of a self-contained program.

of U.S. colleges and universities operate licensing programs.[8] Thus, growth of the collegiate licensing industry should continue as established programs pursue different products and distribution channels and licensing neophytes implement new programs. A contemporary examination of the law and business of collegiate licensing will empower its participants to keep stride with this growth. Part I of this article examines the law of trademarks and its application to collegiate licensing. Part II identifies the process by which trademarks receive protection and continues by examining applicable case law. Part III posits the structure of the collegiate licensing business and reviews its cornerstone, the licensing agreement. Part IV forecasts the future of this billion dollar industry and Part V concludes with some prescriptions for the university seeking to implement or augment a licensing program.

I. Trademarks

The framework for establishing and protecting a university's marketable property rights in licensed merchandise comes under the aegis of intellectual property law, specifically the law of trademarks. The Lanham Act[9] (hereinafter, the "Act"), governs the law of trademarks and provides for their registration and remedies for their infringement. Three types of marks are particularly applicable to the business of sports licensing: 1) trademarks; 2) service marks; and 3) collective marks.

The Act defines a trademark as "any word, name, symbol, or device or any combination thereof" adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others.[10] Well known trademarks include the words "Coke", "Pepsi", "7-up," while little known examples are the distinctive shape and color of a Perrier bottle,[11] and the color of ironing press pads.[12] Words such as "Mizzou," "University of Missouri" or symbols such as a tiger paw exemplify trademarks in the context of collegiate sports. Collegiate licensing also entails the marketing of services. For example, entertainment services in the form of collegiate basketball games and exhibitions entreat the law of service marks. The Act defines a service mark as a mark used in the sale or advertising of services which identifies and distinguishes them from the services of others.[13] Thus, trademarks serve to identify and distinguish the source and quality of tangible products while service marks function to identify and distinguish the source and quality of an intangible service.[14] Finally, when members of a cooperative, association or other collective group or organization use a trademark or service mark to identify their membership, it is technically termed a collective mark.[15]

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[8] Hanna, *supra* note 3, at 1-2.

[9] 15 U.S.C. §§ 1051-1127 (1946), as amended.

[10] 15 U.S.C. § 1127 (1994).

[11] U.S. Trademark Reg. No. 1,662,573.

[12] *Qualitex Co. v. Jacobsen Products Co.*, 115 S. Ct. 1300 (1995).

[13] *Id.*

[14] 1 J. McCarthy, *Trademarks and Unfair Competition* § 19.29 (1973).

The existence of all three types of marks are readily recognizable at most intercollegiate sporting events. For example, the mark "Wildcat Basketball" constitutes a trademark if printed on a T-shirt and a service mark to identify specific activities performed by University of Kentucky student-athletes. And a banner hanging from the rafters of Rupp Arena displaying the symbol of the Southeastern Conference is an example of a collective mark. Trademarks, service marks, and collective marks are all registrable under the Act and all receive its protection.[16] For purposes of this article then, the term "trademark" will be used to collectively identify trademarks, service marks, and collective marks as applicable.

A. The Functions of Trademarks

Trademarks perform four primary functions. First, a trademark establishes a distinctive identity vis a vis other marks. This identification function of trademarks protects the trademark owner's investment in the mark from possible misappropriation.[17] The second function of a trademark is to establish the universal quality of all products and services bearing the same name. Thus, a trademark promotes loyalty among customers who insist on certain standards of quality and maintain confidence that the products or services bearing the trademark meet these standards.[18] Third, a trademark confirms that all goods and services bearing the mark originate from the same source.[19] The fourth principal function of a trademark is to aid in the sale of goods and services.[20]

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[15] *Id.*

[16] J. Gilson, *Trademark Protection and Practice* § 1.02(1) at 1-7 (1992).

[17] Harry A. Toulmin, Jr., *The Trademark Act of 1946 Analyzed, Annotated and Explained* 4 (1946).

[18] *Id.*

[19] Celeste L. Geier, "Protection of University Symbols," 38 *Baylor L. Rev.* 661, 664 n.16 (recognizing that a trademark does not assure the buyer of "high" quality goods or services, but merely assures the buyer that the quality level, whatever it is, will remain constant or predictable among all the goods or services provided under the trademark). *See also Federal Trade Comm'n v. Border Co.*, 383 U.S. 637, 648 (1966) (Stewart, J., dissenting).

[20] McCarthy, *supra* note 14, § 3.1(b) *See also Northern Warren Corp. v. Universal Cosmetic Co.*, 18 F.2d 774 (7th Cir. 1927). Seventy years ago, Justice Frankfurter delivered this prescient analysis of a trademark's marketing potential:

> The protection of trade-marks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trademark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants.

The extent to which a trademark accomplishes one or all of its functions determines its existence and vitality. Occasionally, courts are called upon to prioritize between or among two or more recognized trademark functions; for example, the property rights of the trademark owner versus the public interest in protecting consumers from fraud and confusion.[21] Increasingly, case law reveals a judicial inclination to hold paramount the interest in protecting consumers from fraud, deception, and confusion.[22]

B. Registration of Trademarks

A federal registration protects the owner's exclusive rights to use the term throughout the United States against all later users of the term for similar goods or services. Registering a trademark provides constructive notice of its use to the world.[23] A trademark registration is prima facie evidence of the validity of the mark.[24]

Registering a trademark under the Lanham Act requires the filing of an application with the Patent and Trademark Office (PTO). A trademark application may be filed before or after use of the mark begins. However, federal registration will not issue until use in interstate commerce actually begins.[25] Federal registration may be applied for in three different ways: (1) registration based on prior use of a mark; (2) registration based on a bona fide intent to use the mark in commerce ("Intent to Use" application); and (3) registration based on application or registration of the trademark in

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Id. Mishawaka Mfg. Co. v. SS. Kresge Co., 316 U.S. 203, 205 (1942).

[21] *See* Geier, *supra* note 19, at 664, n. 18 (United States Senate Subcommittee on Patent hearings, predating the passage of the Lanham Act, identified the difficulties courts face in determining the primary purpose of trademarks).

[22] *See, e.g., National Football League Properties, Inc., v. Wichita Falls Sportswear, Inc.*, 532 F. Supp. 651 (W.D. Wash. 1982).

[23] 15 U.S.C. § 1072 (1994).

[24] 15 U.S.C. § 1115 (1994).

[25] Trademark Revision Act of 1988 amended the Lanham Act, which did not permit applicants to register their bona fide intent to use a trademark. This amendment permits the applicant to reserve the mark until the product or service is ready for marketing. Prior to this amendment, the trademark owner could only register his mark if it was used in commerce. Balaram Gupta, "Names and Logos: Protection Under Intellectual Property Laws and Consequences," 2 *Sports Lawyers. J.* 245, 252 (1995).

another country.[26] Unlike copyrights or patents, trademarks last indefinitely and their registrations are renewable in ten-year increments.[27]

One should expect to spend approximately $1,000 to $1,500 per mark to federally register a trademark, which includes a trademark search, filing fees, and attorney's fees to prepare the application and prosecute it before the PTO. Assuming the PTO determines the similarity between the prospective mark and its commercial relationship with the goods and services it identifies is not in conflict with a registered trademark, registration will issue. Marks need not be identical, and the goods and services need not be the same for the PTO to determine that a conflict exists and deny registration to a prospective mark.[28]

II. Trademark Protection

"A strong and distinctive trademark is entitled to greater protection than a weak or commonplace one."[29]

A. Distinctiveness

The strength of protection afforded a trademark is established by the trademark's distinctiveness.[30] A mark's distinctiveness is measured by its capacity to distinguish a product or

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[26] *Id.*

[27] The owner of a registered trademark must file an affidavit of use in the fifth year subsequent to the trademark's registration. Currently, the renewal fee for a trademark is $300 per class of goods or services registered.

[28] *See* Paul Goldstein, *Copyright, Patent, Trademark and Related State Doctrines* 1-20 (Rev. 3d Ed. 1993).

[29] *Squirt Co. v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980). *See also Trustees Univ. of Ark. v. Professional Therapy Serv.* 873 F. Supp. 1280, 1285 (W.D. Ark. 1995). This was a case of trademark infringement in the context of collegiate licensing, wherein the court applied the Eighth Circuit's Squirt Co. factors test to determine the strength of a mark. These factors include: (1) the inherent distinctiveness of the mark; (2) the existence of federal registrations; (3) the long-term use of the mark by the owner; (4) the extent of public exposure for the mark through advertising, promotion and unsolicited publicity; and (5) the owner's actions to protect its marks through the successful use of cease and desist letters and litigation. *Id.*

[30] Three separate attributes must be examined to quantify a mark's distinctiveness: 1) that the mark is sufficiently unique to distinguish it from other marks used in connection with similar goods or services; (2) that the mark does not describe qualities of the goods or services which the mark shares with those originating from other sources; and (3) that the mark performs as a source indicator not a decoration or in a functional capacity. *See* Geier, *supra* note 19, at 668.

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service which originates from one source from products or services originating from other sources.[31] Some marks are inherently distinctive and qualify for protection immediately upon use.[32] Other marks require proof of secondary meaning to establish their distinctiveness.[33] In order for a trademark to acquire distinctiveness, the mark must perform as an indication of source, rather than as a decorative symbol or in some other functional capacity.[34]

1. The Four Categories of Distinctiveness

A mark's distinctiveness can be categorized in one of the following four classifications arranged in descending order of their trademark eligibility and the degree of protection afforded: 1) arbitrary and fanciful marks; 2) suggestive marks; 3) descriptive marks; and 4) generic marks.[35]

Arbitrary or fanciful marks are words, names, symbols, or phrases created for the sole purpose of functioning as a trademark.[36] An example of an arbitrary mark is the Nike "Swoosh" while the word "Jayhawk" illustrates a fanciful mark. Suggestive marks are legally indistinguishable from arbitrary marks with a prime example being "Greyhound" for a bus line, a name suggesting speed and sleekness.[37] Marks coming within these first two categories are registrable under the Act.[38] A descriptive mark is not registrable under the Act.[39] Similarly, generic words such as "tea" and "cola" do not qualify for trademark protection as they represent the actual product and are not associated with the product source.[40]

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[31] R. Callman, *The Law of Unfair Competition, Trademarks and Monopolies* § 18.01 (4th ed. 1994); *Lever Bros. v. American Bakeries Co.*, 693 F.2d 251, 256 (2d Cir. 1982).

[32] Geier, *supra* note 19, at 669.

[33] *See, e.g., National Football League Properties, Inc. v. Wichita Falls Sportswear, Inc.*, 532 F. Supp. 651 (W.D. Wash. 1982).

[34] *Id.* at 662.

[35] *See, e.g., Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (1976). Judge Friendly proffered a definitional treatment of the four trademark categories. In this case, Abercrombie & Fitch filed suit for trademark infringement for the use of the registered trademark "Safari" as applied to apparel and sporting goods. The defendants sought cancellation of all of plaintiff's registrations using the word "Safari." In this per curiam opinion, the Second Circuit found that the trademark "Safari" received a differing categorization according to its application to clothing, accessories, and sporting goods; "Safari" has become a generic term as applied to specific types of clothing but not generic, however, as applied to boots or shoes.

[36] Glenn M. Wong, *Essentials of Amateur Sports Law* 517 (1988).

[37] *Id.*

[38] 15 U.S.C. § 1052 (1994).

[39] *Id.*

2. *Secondary Meaning*

Secondary meaning is a "mental recognition in buyers' and potential buyers' minds that products connected with the symbol or device emanate from or are associated with the same source."[41] The test for secondary meaning examines the buyers' perceived connection between the product, the mark, and its source.[42] The registered owner of a fanciful, arbitrary, or suggestive mark receives a presumption of secondary meaning. However, even if a mark does not fall into the first two categories of distinctiveness it can still obtain secondary meaning, the requisite proof necessary to establish protectable distinctiveness without registration. Indeed, this is the plaintiff's first hurdle in proving that a descriptive mark has obtained distinctiveness through its use and thus has acquired secondary meaning.[43] In *Wichita Falls*, the court found the regional designations of NFL football jerseys to be descriptive and thus required the NFL to prove the secondary meaning of such designations in the football context.[44] The NFL successfully established secondary meaning by presenting into evidence a survey illustrating a high level of association between the defendant's jerseys and the NFL's member clubs.[45]

Many universities use the name of its state of origin or a regional description in at least one of their trademarks. With respect to these marks, a university should anticipate the argument from prospective infringers that the trademark is descriptive and, without secondary meaning, is not protected. In *University of Pittsburgh v. Champion Products, Inc.*,[46] the Pennsylvania District Court applied the *Wichita Falls* secondary meaning test to intercollegiate athletics. Notwithstanding evidence that Pitt's symbol had acquired secondary meaning with respect to educational and athletic services, the court held that Pitt failed to show secondary meaning with respect to soft goods, the relevant product category. An aggregate reading of *Wichita Falls* and *University of Pittsburgh* counsels for reliable survey evidence of popular association between the mark's designation of the university or its services in the identical context and medium of the defendant's use.[47]

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[40] Glenn M. Wong, "Recent Trademark Cases Involving Professional And Intercollegiate Sports,"1986 *Det. C.L. Rev.* 87.

[41] *Wichita Falls*, 532 F. Supp at 658 (holding the plaintiff's marks show the existence of secondary meaning).

[42] Stephen N. Geise, " Whole New Ballgame: The Application of Trademark Law to Sports Mark Litigation,"5 *Seton Hall J. Sport L.* 553.

[43] *Id.*

[44] *Wichita Falls*, 532 F. Supp. at 658.

[45] *Id.* The offeror of a survey bears the burden of establishing eight things: first, the proper universe was selected and examined; second, a representative sample was drawn from that universe; third, the mode of questioning the interviewees was correct; fourth, the persons conducting the survey were recognized experts; fifth, the data gathered were accurately reported; sixth, the sample design, the questionnaire, and the interviewing were in accordance with generally accepted standards of objective procedure and statistics in the field of such surveys; seventh, the sample design and the interviews were conducted independently of the attorneys; and eighth, the interviewers trained in this field had no knowledge of the litigation or purposes for which the survey was used. *Id.* at 657.

One method of enlarging the scope of a mark's protection is the use of collateral trademarks.[48] A collateral trademark is the extension of a trademark from its original medium (e.g., a football jersey) to items not generally associated with the mark (e.g., a coffee mug). Assuming the existence of unmet market demand for the trademark, collateral trademarks offer the dual benefit of increasing the scope of protection for the mark and revenues derived therefrom.

When a university acquires valid registered trademarks, irrespective of whether the marks fall into the first two categories of distinctiveness or because they have acquired a secondary meaning, the university has acquired the marks in connection with its educational services. When the symbols are used in a manner not connected with educational services, such as on clothing, the purpose of the marks become important.[49] The issue then becomes whether the symbols function as trademarks indicating origin or sponsorship of products by the university or whether the marks are merely aesthetically functional.[50]

3. *Functionality*

The third factor in determining the distinctiveness of a trademark is the requirement that it serve as an indication of origin, not in a decorative or functional capacity.[51] Trademark law permits reproduction of a product's functional features.[52] Put another way, the doctrine of functionality forbids the use of a product's feature as a trademark where doing so will put a competitor at a significant disadvantage because the feature is essential to the use, purpose, cost, or quality of the good.[53] The burden of proof on functionality, or more precisely, the burden of proving nonfunctionality, rests squarely with the trademark owner.[54] However, even if the trademark owner is unable to disprove the mark's functionality, authority exists for otherwise protecting the mark if it can be demonstrated to simultaneously indicate its source.[55]

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[46] 566 F. Supp. 711 (W.D. Pa. 1983).

[47] *But* cf. *Univ. of Georgia Athletic Ass'n v. Laite*, 756 F.2d 1535 (11th Cir. 1985). In this case, the Eleventh Circuit held that UGA's "bulldog" is not a descriptive mark and is therefore protectable without a showing of secondary meaning. The court reasoned that the selection of an English bulldog as a mascot for its athletic teams is "suggestive, if not downright arbitrary." *Id.* at 1541.

[48] *See* Wong, *supra* note 40.

[49] *Id.* at 673-74.

[50] *Id.* at 674.

[51] *See* Geier, *supra* note 19, at 672.

[52] *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 203 (2d Cir. 1979); *National Football League Properties, Inc. v. Wichita Falls Sportswear, Inc.*, 532 F. Supp. 651 (W.D. Wash. 1982); *Job's Daughters v. Lindberg & Co.*, 633 F. 2d 912, 917 (9th Cir. 1980).

> That the logos or marks of educational, entertainment or commercial entities may also be visually pleasing when used on wearing apparel does not mean that they are automatically incapable of trademark significance as "functional." It is a question of fact as to whether consumers view such indicia as "merely ornamental" or as symbols that identify a source of sponsorship.[56]

B. Two Causes of Action Under the Lanham Act

Two federal causes of action are provided for in the Lanham Act: a cause of action for unfair competition codified in title fifteen, section 1125 of the United States Code (originally section 43 of the Act)[57] and a cause of action available to a trademark registrant against one who uses a reproduction or close imitation of the trademark in connection with the sale of goods in commerce where such use is likely to deceive.[58] In certain circumstances, both section 1125 and section 1114

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[53] *Inwood Lab., Inc. v. Ives Lab., Inc.*, 456 U.S. 844, 850 n. 10 (1982).

[54] *Univ. of Pittsburgh*, 566 F. Supp. at 711 (1983). *See also Job's Daughters*, 633 F.2d 912.

[55] *Wichita Falls*, 532 F. Supp. at 651; *Dallas Cowboys Cheerleaders*, 604 F.2d at 200.

[56] J. McCarthy, 3 *McCarthy on Trademarks & Unfair Competition* § 24.03 [4] [a] (3d. ed. 1992).

[57] 15 U.S.C. § 1125(a) provides in pertinent part:

> (1) Any person who ... use[s] in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or (B) in commercial advertising and promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Id.

[58] 15 U.S.C. § 1114 provides in pertinent part:

> (1) Any person who shall, without the consent of the registrant (a) use in commerce

may be employed simultaneously, such as when the infringing mark approximates the plaintiff's mark causing consumers to believe the product originated with the plaintiff.[59] Typically, the same set of facts which enables a plaintiff to recover under title fifteen, section 1125 also permits recovery under title section 1114.[60] Not surprisingly, many of the elements necessary to establish a violation of either section are identical.

Prior to a discussion of each of these federal causes of action, it is important to note that the Lanham Act essentially codifies and incorporates many of the existing state law causes of action.[61] These state law claims, the majority of which are predicated on the theory of unfair competition, are frequently appended to federal trademark claims under the Lanham Act.[62] The focus of this article, however, will remain with the protection afforded trademarks under federal law.

> any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or (b) reproduce, counterfeit, copy or colorably imitate a registered mark and apply such reproduction ... to labels, signs, prints, packages, ... or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action by the registrant for the remedies hereinafter provided.

Id.

[59] *See* Geier, *supra* note 19, at 667.

[60] *See infra* note 68. In reversing the district court, the Fifth Circuit held that the defendants had authorized intentional duplication of a professional hockey team's symbol on an embroidered emblem which constituted trademark infringement pursuant to section 1114. A cause of action for false designation of origin under section 1125 had also been established on behalf of a single plaintiff, the Toronto franchise, who had not secured federal registration of its symbol.

[61] The four most prevalent state law causes of action come under the ambit of the tort of unfair competition. These theories include; (1) Passing Off, a false representation by the defendant which creates confusion for the consumer who believes that the goods or services originate with the plaintiff; (2) Dilution, a tort theory predicated upon the plaintiff's ability to establish a diminution in uniqueness and a devaluation of the plaintiff's mark brought on by the defendant's deceptive practices; (3) Misappropriation, the seminal case of misappropriation is *International News Services v. Associated Press*, 248 U.S. 215 (1918). In *International News*, the Supreme Court held that INS misappropriated the AP's property by systematically gathering the AP's public newspapers and bulletin boards and sending hot news stories to INS subscribers sometimes actually beating the AP newspapers to publication. The AP had invested a considerable amount of time, money and skill in developing their news retrieval system; and (4) Disparagement - the tort identifying the circumstance where the defendant states falsely or deceptively the quality of plaintiff's goods or services. Gupta, supra note 25, at 253-257.

[62] 28 U.S.C. § 1338(b) (1994).

1. *Title 15 U.S.C.A. Section 1125 (a): Unfair Competition*

This section of the Act permits relief to the owner of an unregistered mark. In an unfair competition action brought under section 1125(a), the plaintiff must establish an independent basis for federal jurisdiction by showing that the prohibited activities took place in or affected interstate commerce.[63] Meeting this burden, section 1125(a) permits the plaintiff to assert three types of claims for relief: 1) a claim for false designation of origin[64]; 2) a claim for false advertising; and 3) a claim for disparagement.[65]

The following four elements must be proven to establish a successful unfair competition case: (1) nonfunctionality; (2) secondary meaning; (3) prior use; and (4) likelihood of confusion.[66] The first two elements, nonfunctionality and secondary meaning, have been addressed. To establish prior use, the plaintiff must demonstrate that it has adopted the trademark for the purpose of denominating the goods to which it is affixed and that the goods are to be marketed with the affixed designation.[67] Finally, the plaintiff must establish that the defendant's mark creates the likelihood of confusion on the part of the consuming public. This critical element is the gravamen of all claims under the Act and will be addressed in the context of a claim for federal trademark infringement discussed below.

A representative case of unfair competition is *National Football League Properties, Inc. v. New Jersey Giants, Inc.*[68] In this case, the defendant sold merchandise bearing the name "New Jersey Giants" to fans of the NFL's New York Giants. The district court held that the defendant's use of the Giants' mark was likely to cause confusion or mistake or deceive purchasers of such merchandise as to the source, sponsorship, or approval by the NFL and the New York Giants and thus constituted unfair competition.[69] Notably, the court refused to find the defendant's actions, limited to the selling of goods, as an infringement of the New York Giants' service marks.

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[63] 15 U.S.C. § 1125(a) (1994).

[64] This claim is essentially a codification of the common law claim of passing off. *See* 28 U.S.C. § 1338(b) (1994).

[65] *See supra* note 57.

[66] *Univ. of Pittsburgh*, 566 F. Supp at 719.

[67] *Id.* at 722 (quoting Restatement of Torts § 719 and comments (a) and (b)). Unlike a copyright, which protects works of authorship for a period of years before the work falls into the public domain, the process for trademarks is reversed. When a university selects a word or design from the public domain to represent its origin or services, the university acquires a property right in such mark if it comes to symbolize the university or its services in the minds of the public. Thus, the word or symbol passes from the public domain into the protective ambits of trademark law. *See, e.g., Boston Professional Hockey Ass'n. v. Dallas Cap & Emblem Mfg.*, 510 F.2d 1004 (5th Cir. 1975).

[68] 637 F. Supp. 507 (D. NJ 1986).

[69] *Id.*

2. Title 15 U.S.C.A. Section 1114: Infringement of a Registered Trademark

Pursuant to title 15, section 1114 of the United States Code, a cause of action exists for the infringement of a registered mark when a person uses: (1) any reproduction, counterfeit, copy or color imitation of a mark; (2) without the registrant's consent; (3) in commerce; (4) in connection with a sale, offering for sale, distribution or advertising of any goods; and (5) where such use is likely to cause confusion or to cause mistake or to deceive.[70] As with all claims asserted under the Act, priority of use must also be established.[71] In practice, an action for trademark infringement contemplates two inquiries: does the plaintiff have a protected right in the mark, and, if so, is there a likelihood of confusion due to the defendant's use of the mark.[72]

Registration under the Lanham Act is prima facie evidence of the registrant's exclusive right to the mark in connection with the goods or services specified in the registration.[73] Only a "registrant," as opposed to a licensee, has standing to sue under section 1114.[74] In limited circumstances, the owner of a registered mark may be required to establish the mark's secondary meaning.[75] Second, the plaintiffs must demonstrate that the defendant's activities have created a likelihood of confusion, the sine qua non in any trademark infringement case.[76]

The factors used to judge the likelihood of confusion vary among jurisdictions.[77] However, a recent decision in the Eighth Circuit serves well to illustrate this analysis.[78] In the *Razorback* case, the University of Arkansas brought an action against a physical therapy clinic for trademark infringement and false designation of origin under the Lanham Act.[79] The defendant Clinic had recently changed its name to the Razorback Sports and Physical Therapy Clinic upon its affiliation with the former Director of Sports Medicine at the University and a University trainer.[80] The Clinic advertised and promoted its relationship to the University.

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[70] *See Boston Professional Hockey Ass'n.*, 510 F.2d 1004.

[71] *See New Jersey Giants*, 637 F. Supp. at 507.

[72] *See* Geise, *supra* note 42.

[73] 15 U.S.C. § 1115 (1988).

[74] J.T. McCarthy, *McCarthy on Trademarks and Unfair Competition* § 33.02 (3d. ed. 1992).

[75] *NFL Properties Inc. v. Wichita Falls Sportswear, Inc.*, 532 F. Supp. 651 (W.D. Wash. 1982).

[76] *Univ. of Pittsburgh*, 566 F. Supp. at 719.

[77] The Second Circuit standard, established in the case of *Polaroid Corp. v. Polaroid Electronics Corp.*, 287 F.2d 492, 495 (2d Cir. 1961) *cert. denied*, 368 U.S. 820 (1961), has probably been the most widely embraced. he eight factors of the *Polaroid* test are: (1) the strength of the mark; (2) similarity of the design between the marks; (3) similarity of the product or service; (4) identity of retail outlets and purchasers; (5) identity of advertising media used; (6) the defendant's intent; (7) actual confusion; and (8) degree of care exercised by potential purchasers. Many courts combine the *Polaroid* elements in their own analysis, and the Second Circuit has even seen fit to augment this eight factor test. *See, e.g., Centaur Communications, Ltd. v. A/S/M Communication*, 830 F.2d 1217, 1225 (2d Cir. 1987) (acknowledging that the *Polaroid* factors are not exclusive; the court looked at (1) the nature of the senior user's priority, (2) its delay in asserting its claim, and (3) the balance of harm and benefit that would result from granting an injunction against the junior user's use of the mark.). *Id.* at 1228 n. 2.

The *Razorback* Court employed the following six-factor test to determine whether the defendant's use of the University's mark was likely to cause confusion:

> (1) the strength of the owner's mark;[81] (2) the similarity between the owner's mark and the alleged infringer's mark; (3) the degree to which the products are in competition with one another (which is often referred to as the "competitive proximity" of the products); (4) the alleged infringer's intent, or lack thereof, to pass off the trademark owner as the source of the goods, or as a sponsor of the goods; (5) incidents of actual confusion; and (6) the degree of care likely to be exercised by potential customers.[82]

Reviewing each factor in turn, the court found the Razorback mark to be arbitrary and thus inherently distinctive.[83] In analyzing this first element, the court found significant the fact that the University had taken steps to police its marks. Thus, the court held that the Razorback mark was strong and deserving of protection as a matter of law. Next, the court analyzed the degree of similarity between the University's marks and the clinic's mark, concluding that the services offered by the clinic directly compete with those of the University or were so related that they imply a common source.[84] Analysis of the second element required the court to examine the mark as a whole, although it permitted the court to recognize one feature of the mark as significant in creating a commercial impression.[85] The court found the word "Razorback" to be the clearly dominant feature of the Clinic's mark and further underscored by the fact it was set apart from the words "Sports and Physical Therapy Clinic" by its color red, the University's school color.[86] The connection to the University was made even stronger by the clinic's use of a running Razorback hog logo next to a medical caduceus. Despite the defendant's recent change of the logo to a Razorback hog's head, the court had no difficulty concluding that, as a matter of law, the overall impression of the mark was substantially similar to the University's mark.

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[78] *See Trustees Univ. of Ark. v. Professional Therapy Serv.*, (*Razorback*) 873 F. Supp. 1280 (W.D. Ark. 1995).

[79] *Id.*

[80] *Id.* at 1284.

[81] *See supra* note 30.

[82] *Trustees Univ. of Ark.*, 873 F. Supp. at 1285.

[83] *Id.* at 1287. The court rejected defendant's contentions that the term "Razorback" connoted a geographic designation and thus was merely a descriptive mark.

[84] *Id.* at 1288-89.

[85] *Id.* at 1290 (citing Gaston's *White River Resort v. Rush*, 701 F. Supp. 1431, 1437 (W.D. Ark. 1988)).

The court then considered the competitive proximity of the services offered by the clinic and the University. The court concluded that even if such services were not in direct competition, they were doubtlessly related.[87] The close competitive proximity of the services provided by both parties was a factor weighing strongly in favor of the University.

The fourth factor considered was whether the clinic intended to confuse the public as to its affiliation with the University. Declaring that intent on the part of the infringer raised the inference of likelihood of confusion,[88] the *Razorback* Court recognized that the presence or absence of an intent to confuse was not critical to finding a likelihood of confusion.[89] Because this case was presented to the court on cross motions for summary judgment, the court was without sufficient evidence to draw any conclusions as to the intent of the defendant.[90] However, since the issue of intent was not determinative, its inconclusiveness would not otherwise defeat the University's summary judgment motion. Not surprisingly, the court noted in dicta its inclination to conclude that the Clinic intended to trade off the good will of the University.[91] The fifth factor analyzed by the court was actual confusion. "Actual confusion is strong evidence of a likelihood of confusion."[92] Again, the court noted that the University was not required to prove evidence of actual confusion in order to prevail. Neither party provided evidence of consumer confusion and thus neither party gained an advantage.[93]

Next, the *Razorback Court* reviewed the degree of care exercised by potential customers of the service. The degree of care exercised by the consumer can eliminate the likelihood of confusion which would otherwise exist.[94] Courts should look to the kind of product, its costs, and its conditions of purchase to determine the degree of care exercised by consumers.[95] Noting that a high degree of care is not a strong defense when the other factors lean strongly toward trademark infringement, the court rejected as irrelevant the Clinic's assertions that those recommending the Clinic's services would not be confused.[96] Given the serious nature of defendant's services, the degree of care factor bodes in its favor. However, the court was quick to observe that irrespective of the competition between the parties for these services, the University would be at risk of losing control over its reputation as long as people who hear about the Clinic's services are confused by its source.[97] Lastly, the *Razorback* Court reviewed "other factors" including the close physical proximity of the Clinic to the University and the effect of the Clinic's recent disclaimer.[98] Disclaimers will generally not remedy an infringement.[99] Declaring the foregoing factual and legal conclusions undisputed, the *Razorback* Court granted the University of Arkansas' motion for summary judgment. In most cases, the plaintiff in a trademark infringement action will seek injunctive relief pursuant to section 1114.[100] In addition to injunctive relief, the successful plaintiff in a trademark infringement action may also be entitled to generous pecuniary remedies including treble damages not available under section 1125, and attorneys' fees, generally not available under common law.[101]

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[86] *Id.* at 1290.

[87] *Trustees Univ of Ark.*, 873 F. Supp. at 1290.

[88] *Id.* at 1291 (citing *Squirt Co.*, 628 F.2d at 1091).

[89] *Trustees Univ. of Ark.*, 873 F. Supp. at 1291.

[90] *Id.*

[91] *Id.*

[92] *Id.* at 1291 (citing *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 400 (8th Cir. 1987), *cert denied*, 488 U.S. 933 (1988)).

[93] Though costly, a survey of consumer confusion, or lack thereof, would have been the most salient evidence for the court to review. *See supra* note 46.

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[94] *Trustees Univ. of Ark.*, 873 F. Supp. at 1291 (citing *Squirt Co.*, 628 F.2d at 1091).

[95] *Id.*

[96] *Id.* at 1292

[97] *Id.*

[98] *Id.* The court quoted a recognized treatise on trademark law for the proposition that disclaimers will not serve to cure an otherwise clear case of likelihood of confusion. 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 2315[9] at 23-105 (3d. ed. 1993).

[99] *See* Geier, *supra* note 19, at 681.

[100] 15 U.S.C. § 1117 (1984).

[101] 15 U.S.C. § 1117 provides in pertinent part:

> (a) profits; damages and cost; attorneys fees. When a violation of any right of the registrant of the mark registered in the Patent and Trademark Office, or a violation under § 1125(a) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled ... to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the cost of the action.... The court in exceptional cases may award reasonable attorneys' fees to the prevailing party;
>
> (b) treble damages for use of counterfeit mark. In assessing damages under subsection (a) of this section, the court shall .... enter judgment for three times such profits or damages, whichever is greater, together with a reasonable attorney fee, in

C. Defenses

Defendants in cases of trademark infringement or unfair competition may avail themselves of several affirmative defenses. Some of the more common defenses follow.

1. Abandonment

The Act provides a statutory affirmative defense for abandonment.[102] Nonuse of a mark for two consecutive years constitutes prima facie evidence of an intent to abandon.[103] In this circumstance, the burden shifts to the plaintiff to explain nonuse or establish its intent to resume use. In *Major League Baseball Properties Inc. v. Sed Non Olet Denarius Ltd.*,[104] the court held that the plaintiff had abandoned its mark "Brooklyn Dodgers," notwithstanding plaintiff's showing that such was not its intent.[105] Plaintiff failed to demonstrate its intent to resume commercial use of the "Brooklyn Dodgers" within two years from the team's departure from Brooklyn in 1957.

Abandonment does not require, however, plaintiff's exclusive use of the mark.[106] Whether an alleged infringer has a right to continue the use of a plaintiff's mark or whether the mark has been diluted by such use is not determinative of the question of abandonment.[107] A mark becomes

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> the case of any violation of Sec. 1114(1)(a) of this title ...

[102] 15 U.S.C. § 1127(1984). Section 1127 provides in pertinent part:

> A mark shall be deemed to be "abandoned" when either of the following occurs: (1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for two consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona fide use of that mark made in the ordinary course of trade, and not made merely to reserve a right in a mark. (2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.

Id.

[103] *Id.*

[104] 817 F. Supp 1103 (S.D.N.Y. 1993).

[105] *See* Gupta, *supra* note 25, at 263.

[106] *See Razorback*, 873 F. Supp. at 1288-89.

[107] *Univ. Book Store v. Board of Regents of the Univ. of Wisc.*, 33 U.S.P.Q.2d 1385 (BNA), 1994 TTAB LEXIS 8, 28 (1994).

abandoned only when the mark loses its significance as an indication of origin, not the sole identification of source.[108]

2. *Zone of Expansion Defense*

This defense requires an analysis of the scope of the plaintiff's mark with relation to the defendant's use of such mark. In *Major League Baseball Properties*,[109] the court held that there was little likelihood that consumers would confuse the defendant's restaurant business with the plaintiff's sale of merchandise bearing the name "Brooklyn Dodgers." Since the plaintiffs presented no evidence indicating their intent to enter the restaurant market in Brooklyn, the court found in favor of the defendant's zone of expansion defense.[110] Some commentators assert that the court in the Brooklyn Dodgers case unnecessarily limited this defense by singling out the Borough of Brooklyn as the only location in which defendants could use their trademark.[111] Since the court determined that the defendants acquired the trademark for their restaurants, it seems inconsistent to limit their use to only one borough in New York City.[112]

3. *First Amendment*

At least one court has held that the Lanham Act should not be interpreted to conflict with First Amendment rights.[113] In *National Football League Properties v. Playoff Corporation,*[114] NFL Properties sought injunctive relief against a trading card company which, without a license to do so, marketed cards displaying pictures of players in their professional uniforms. The defendant posited the First Amendment as a bar to plaintiff's action, stating that "the newsworthiness of information on its cards would render preliminary injunctive relief a prior restraint."[115] Although appreciating the logical appeal of defendant's contention, the court rejected the First Amendment defense.[116]

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[108] *Wallpaper Manufacturers, Ltd. v. Crown Wallcovering Corp.*, 680 F.2d 755, 214 U.S.P.Q.2d 327, 333 (C.C.P.A. 1982).

[109] 817 F. Supp. 1103 (S.D.N.Y. 1993).

[110] *See* Gupta, *supra* note 25, at 264.

[111] *See* Mark A. Robinson, "Intellectual Property - Lanham Act - Injunctive Relief for Trademark Infringement is not Available when Likelihood of Confusion does not Exist as to the Source of the Goods or Services or when an Entity Abandons a Trademark," 4 *Seton Hall J. Sport L.* 205, 209 (1994).

[112] *Id.*

[113] *See* Geier *supra*, note 19, at 665, n. 19. *Stop the Olympic Prison v. U.S. Olympic Comm'n*, 489 F. Supp. 1112 (S.D.N.Y. 1980). *But cf. Dallas Cowboys Cheerleaders, Inc*, 604 F.2d. at 206 (stating that as a property right, a trademark need not yield "to the exercise of First Amendment rights under circumstances where adequate alternative avenues of communication exist." (quoting *Lloyd Corp. v. Tanner*, 407 U.S. 551, 567 (1972)).

[114] 808 F. Supp. 1288 (N.D. Tex. 1992).

D. A Promising Trend for Universities in Recent Case Law

For years, proponents of collegiate licensing contended with the decision in *University of Pittsburgh*.[117] On remand from the Third Circuit, the *University of Pittsburgh* Court found that Pitt failed to meet its burden with respect to every element of its claim for unfair competition. Despite this result, a settlement agreement between the parties resulted in a court order vacating the judgment in favor of defendant, Champion Products. Consequently, *University of Pittsburgh* has no precedential value.[118] Subsequently, several recent decisions reveal a trend in favor of university trademark owners.

In the 1989 case of *Board of Governors of the University of North Carolina v. Helpingstine*,[119] the court held that the failure of the University of North Carolina at Chapel Hill to prosecute substantial uncontrolled use of its marks by third parties from its founding in 1795 until the inception of its licensing program in 1982, did not result in abandonment because the University's marks did not lose all significance as indications of origin. More recently, The Trademark Trial and Appeal Board of the U.S. Patent and Trademark Office reconfirmed the holding of *Helpingstine* by ruling against opponents of the University of Wisconsin who sought to block the University's attempt to register "Bucky Badger" and "Wisconsin Badger" as trademarks.[120] The Board held that Wisconsin's tacit acquiescence to prior uncontrolled uses of the marks did not support the opposers' claim of abandonment. *Helpingstine* and *University of Wisconsin* provide legal reassurance to those universities desiring to start a licensing program but have allowed others to merchandise their marks without paying royalties.[121]

Last year's *Razorback* case, described in detail above, further augments a university's legal arsenal. In addition to the *Razorback* case, 1995 brought about a U.S. Supreme Court decision expanding the scope of trademark protection which may eventually come to bear upon collegiate licensing.[122] In Qualitex, the Supreme Court upheld a manufacturer's registration of the color green gold as a trademark. Although outside the arena of collegiate sports, the Qualitex holding may serve as precedence for a university's attempt to protect its colors under the Act.[123]

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[115] *Id.* at 1294.

[116] *Id.* at 1295.

[117] *See International Order of Job's Daughters v. Lindenburg & Co.*, 633 F.2d 912 (9th Cir. 1980).

[118] *University Book Store*, 33 U.S.P.Q.2d at 1394.

[119] 714 F. Supp. 167, 11 U.S.P.Q.2d 1506 (M.D.N.C. 1989).

[120] *See University Book Store*, 33 U.S.P.Q.2d 1385 (BNA).

[121] *See* Hanna, *supra* note 3, at 4.

[122] *Qualitex Co. v. Jacobson Products Co.*, 115 S. Ct. 1300 (1995).

III. The Business of Collegiate Licensing

A. Two Forms of Licensing Programs

The sale of licensed merchandise yields universities tremendous rewards in terms of money, recognition, and status. Not surprisingly, most colleges and universities have implemented licensing programs which merchandise properties associated with their athletic teams.[124] A number of universities, most notably Notre Dame, operate self-contained programs employing a full-time licensing department. The licensing departments of these independent programs act in concert with the university's general counsel's office to operate all aspects of the university's licensing effort.[125] Other universities choose to contract with a licensing agent which, for a fee, can register the universities' marks, negotiate licensing agreements, evaluate quality control, police infringers and, if necessary, litigate.[126] Finally, universities may opt for a hybrid program which permits independence in local or regional markets but may execute contracts for national programs or unique products via its licensing agent.[127]

1. Independent Programs

According to Linda Gilbert, director of licensing for the University of Missouri-Columbia, the primary reason for operating an independent or hybrid program is control. Independent programs permit selection and control of trademark registration, licensees, artwork, overall product quality, and control of the program's manufacturers and retailers.[128] This independence also offers flexibility. For example, an independent licensing program may vary its fees according to the type of product sold, the nature or volume of a licensee's sales and the geographic market serviced by the licensor.[129] Cost is also a factor. A university that contracts with a licensing agent may pay as much as 40% to 50% of the royalty revenues generated to the licensing agent.[130] However, at least in the formative stages of a university's licensing program, the expenses of staffing and support for the program may cancel out any additional revenues derived from internal operations.[131]

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[123] *See* Hanna, *supra* note 3, at 5.

[124] *See* Wong, *supra* note 40, at 113-114.

[125] Telephone Interview with Freida Donnan, Director of Licensing for the University of Notre Dame (February 21, 1996).

[126] Telephone Interview with Lauren J. Hanna, General Counsel, Licensing Resource Group, Inc. (February 21, 1996). Ms. Hanna qualified a licensing agent's role in the infrequent instance of litigation edifying that most agents, as corporations, are not authorized to practice law but may lend expertise and business judgment to counsel for its clients.

[127] Telephone Interview with Linda Gilbert, Licensing Coordinator/Program Administrator for the University of Missouri-Columbia (February 22, 1996).

[128] *Id.* The University of Missouri-Columbia operates what the author has termed a hybrid program, a principally independent program which contracts with licensing agents for particular national projects and promotions or which offer unique products. The University of Missouri-Columbia employs a full-time licensing department which includes Ms. Gilbert of the university's business office and Randy Sissel, director of sports marketing, a position established in the university's

A university may also wish to exercise independent judgment with respect to the enforcement of the trademarks.[132] A minor infringement by a well-intentioned retailer will rarely result in litigation. Moreover, there exists a judicial recognition of the importance of goodwill between a university and its licensees such that minor infringements will not weaken the mark by a university's failure to assert its rights.[133] Freida Donnan, director of licensing for the University of Notre Dame's unparalleled independent program, suggests that an independent program permits a "personal touch and attention to detail" which may only be found in an independent licensing program's singular purpose: generating revenue for and enhancing the image of its sponsor university.[134] Although in the minority, independent licensing programs have proven to generate significant revenue for their sponsor universities.[135]

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athletic department. This inter-departmental program weds the perspectives of the operative areas of collegiate licensing, business and athletics. Ms. Gilbert candidly informed the author of the successes the University of Missouri-Columbia has enjoyed via the participation in specific national programs coordinated by both the Collegiate Licensing Company and the Licensing Resource Group, Inc.

[129] Telephone Interview with Randy Sissel, Director of Sports Marketing for the University of Missouri-Columbia (February 20, 1996).

[130] Wong, *supra* note 40, at 114. Using the average royalty rate of 7.5% of net sales, excluding cash discounts, a university's royalty revenue could drop as low as 3.5% of net sales. *Id.*

[131] Richard K. Irwin, David K. Stotlar, Aaron L. Mulrooney, "A Critical Analysis of Collegiate Licensing Policies and Procedures," 20 *J.C. & U.L.* 97, 101. This 1993 study determined the average annual operating expenses for agency-assisted collegiate programs to be $25,982 as compared to $44,100 for independently administered programs.

[132] *Id.*

[133] *University Book Store*, 33 U.P.S.Q.2d at 1399.

[134] *See* Donnan, *supra* note 125; *See also* Gilbert, *supra* note 127. Both Ms. Donnan and Ms. Gilbert, directors of two successful independent programs, are quick to acknowledge that the form of a university's program, independent or via a licensing agent, is determined by an analysis of many factors, with each form maintaining its share of advantages and disadvantages.

[135] In 1995, the University of Missouri-Columbia's licensing program generated net revenue in excess of $250,000. Ms. Freida Donnan humbly advised the author that the revenue figures for the

2. *Licensing Agents*

Licensing agents provide valuable services to new and established licensing programs. Their specialization and expertise affords their client universities with sage counsel in the registration of marks, negotiation of licensing agreements with manufacturers, policing of infringers and quality control among manufacturers and, when necessary, litigation.[136] Policing marks against infringers is a costly process and one that bodes in favor of employing a licensing agent to share the burden, especially in a program's formative years when revenues cannot support such an effort. Even universities with successful independent programs, such as Notre Dame and the University of Missouri, contract with licensing agents to take advantage of their national scope of business or lucrative manufacturer lists.[137] Two agencies, the Collegiate Licensing Group (CLC) and the Licensing Resource Group, Inc. (LRG), represent the vast majority of universities which maintain a licensing program.

CLC is the single largest licensor of intercollegiate sports merchandise handling nearly 60% of the $2.5 billion college licensing market.[138] CLC currently represents 145 universities, three conferences (the Atlantic Coast Conference, the Southeastern Conference, and the Western Athletic Conference), and five college football bowl games.[139] Its internal organization is comprised of four

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University of Notre Dame over that same period were "significantly higher." Interestingly, the University of Missouri-Columbia currently maintains contracts with 759 licensees while the University of Notre Dame maintains licensing agreements with approximately 230 licensees. As a subscriber to the 80/20 rule of business (i.e., generally, 80% of sales revenue is generated by 20% of the retailers), Linda Gilbert emphasized the benefits of licensee consolidation as one prescription for increasing licensing revenue at the University of Missouri-Columbia. Donnan, *supra* note 125.

[136] Wong, *supra* note 40, at 115-116.

[137] *See* Donnan, *supra* note 125; *see* also Gilbert, *supra* note 127.

[138] *See* Hiestand, *supra* note 1.

[139] Telephone Interview with Michael S. Drucker, Associate Counsel, Collegiate Licensing Company (February 19, 1996).

principal departments: marketing,[140] licensing,[141] accounting, and legal.[142] LRG, the second largest collegiate licensing agent, boasts a roster of fifty clients including the University of Kansas, and Northwestern University, and over 1,000 licensees. LRG also represents the Big 10 and Ivy League Conferences and has an established cross-licensing arrangement among universities and the National Collegiate Athletic Association.[143]

The impressive resumes of CLC and LRG underscore the principal benefit to a university contracting with a licensing agent: economies of scale. With the permission of CLC, a sample Agency Agreement follows this article as Exhibit 1. Irrespective of a university's decision to hire an agent or operate a licensing program, the licensing agreement will define its rights and obligations among its licensees.

B. An Analysis of Licensing Agreements

Prior to executing any license agreement, the university should prepare a plan detailing the formation of its licensing department (particularly if contemplating an independent program) or reviewing the credentials of licensing agents with respect to the property it intends to license.[144] This plan will necessarily entail a review of the procedure for adequately protecting the property under trademark and/or copyright laws.[145] The licensor typically conducts a market study to identify the market for its properties. Additionally, the licensor should research the universe of potential licensees looking for a "fit" between the licensor, its properties, and the licensee.

The license agreement is the cornerstone of any licensing program. It defines the working relationship between the property owner/licensor and the manufacturer/licensee both during and after the licensing program.[146] Most licensors, either a university acting independently or through its licensing agent, have prepared a form licensing agreement. Through the years, licensing agreements have become increasingly complex and, although originating as a form, must be tailored to clearly define the rights, responsibilities and obligations contemplated by each licensing arrangement. Reproduced with the permission of the Licensing Resource Group is a Standard License Agreement (SLA) which will form the basis for the analysis of licensing agreements that follows (see Exhibit 2). The following analysis identifies provisions universal to licensing agreements and paraphrases their primary purposes.

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[140] The marketing department of CLC assigns each of its account representatives to approximately twenty member schools. These "university service" persons are responsible for assisting the schools with the day-to-day promotions of their licensed property and provide assistance and support on special projects. *Id.*

[141] Some of the functions of licensing members of the licensing department include assisting in the preparation of trademark applications and notifying manufacturers of design and artwork approval. *Id.*

[142] In addition to drafting the agency and licensing agreements, the members of CLC's legal department have been instrumental in the passage of legislation at the state level aimed at infringement.

[143] Hanna, *supra* note 3, at 2.

[144] *Id.* at 4.

[145] *Id.*

1. *Identification of Parties and Recitals*

Not unlike most business contracts, the initial paragraph serves to identify the respective parties, the licensor/property owner and the manufacturer/licensee, as well as each party's address and legal status. The parties should be identified precisely, particularly when dealing with subsidiary corporations that can be dissolved and put into bankruptcy without affecting the parent.[147] As in most contracts, the recitals identify the intentions of the parties, their mutual consent to the agreement that follows and an acknowledgment of consideration for such agreement.

2. *Definitions*

The definition section of the standard licensing agreement will identify the member universities who have executed an agency agreement with the licensing agent. Obviously, in the case of an independent licensor, the sponsor university will be the sole grantor of licensing rights. The specific property being licensed will be clearly defined and typically identified by an attachment which contains a list of all products subject to the SLA. Typically, the definition of "licensed products" is specifically defined to comport with the particular licensee's product or retail capabilities. Generally, the larger the manufacturer and broader product base which it carries, the broader the definition of licensed product.

3. *Grant of License*

Unlike the majority of merchandising licensing agreements, collegiate licensing agreements are typically non-exclusive.[148] The license granted will expand or contract to correspond with additional universities executing an SLA with the licensing agent, additions to the licensed indicia (for example, the names, symbols, and designs of the member universities) and a corresponding list of approved licensed articles. The typical term of an SLA is one year. A renewal option typically rests in the sole discretion of the licensing agent and its member universities.[149] A key factor in determining the life of the initial term is the experience of the licensee. A property owner is generally more likely to grant an extended initial term to a licensee with a proven track record than to one with little experience.[150]

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[146] Gregory J. Battersby, "Merchandising License Agreements Explained," 418 PLI/PAT 7 (1995), available in Westlaw.

[147] *Id.*

[148] *Id.* at 5.

[149] *See* Drucker, *supra* note 139.

4. *Quality Control, Notices, Approvals and Samples*

The minimum quality control provision that an owner should include in a SLA is the following:

> The quality of the Licensed Products shall be at least as high as the quality of similar products presently being manufactured and shipped by the licensee ....[151]

The SLA should also provide that the licensee warrants that all promotional, advertising, and packaging material will be of good quality, free of injurious or toxic substances and will be manufactured, sold and distributed in compliance with all applicable laws.[152] Representative samples of all licensed products should be reviewed and approved by the licensing agent and/or the university prior to its sale or distribution. Typically, the licensee will agree to immediately remove from sale or distribution any previously approved licensed products to which the licensing agent or university rescinds approval. Another quality control provision should provide for a merchandise audit of the licensed products at any time. Finally, the property owner and/or the licensing agent will typically retain the right of approval over all artwork that is developed by the licensee and prohibit the use of same to the licensee unless the licensee has obtained its written approval.

5. *Royalty Provisions*

Most licensing agents require a non-refundable administration fee and royalty calculated on the basis of net sales as defined in the definitions provision. Advance royalties and minimum guarantees are relatively inexpensive (generally \$250 and \$100 respectively).[153] Royalty rates may vary with the institution with the average royalty rate being 7.5% of net sales. Licensees are customarily entitled to take a credit in the amount of the advance against any royalty obligation required by the SLA.[154] The royalty section of most SLA's will also include a provision for circumstances in which sales are other than cash transactions. From the licensor's perspective, care should be taken to draft the royalty provisions so that a barter situation or in kind transfer triggers its entitlement to a royalty.

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[150] Battersby, *supra* note 146, at 13.

[151] *Id.* at 7.

[152] *See* Exhibit 2.

[153] Notre Dame requires an advance/minimum guarantee of \$3,000 for apparel and \$1,000 for non-apparel items.

[154] Battersby, *supra* note 146, at 7.

6. *Payment Schedule and Accounting*

A sound SLA will require a complete and accurate statement of the sales triggering royalties on no greater than a quarterly basis. With the submission of the quarterly statement, the licensee will pay in its royalty fees. To the extent it exists, a default rate of interest may be applied to delinquent payments.

7. *Default and Termination Provisions*

Default provisions typically provide for the licensor to terminate the agreement upon written notice of any default or misrepresentation made by licensee in the SLA. The use of unapproved artwork, failure to make timely royalty payments, a lapse of insurance,[155] and any attempt to assign or sublicense the licensee's rights will customarily call for the termination of the SLA. A failure by the licensee to meet the initial marketing date is also a common grounds for termination.

8. *Licensee's Duties Upon Termination*

These provisions typically include the licensee's agreement to immediately halt production and distribution of the property and return any work in progress to the owner. An acceleration provision providing for the immediate payment of all unpaid advances and minimum guaranteed royalties is not uncommon. If termination is the result of the licensee's failure to meet quality control standards, the licensee will usually be denied the ability to dispose of inventory.[156]

9. *Ownership and Protection of Rights*

The obligation to maintain patent, trademark, and copyright protection will generally lie with the property owner who has the greatest interest in wanting to protect his own property.[157] These provisions typically require the licensee to provide written notice to the licensor or licensing agent of any infringement and to assist in defending and enforcing the owner's rights in the mark. Most SLAs provide that in the event the owner chooses not to bring an action, the licensee has the right to bring an action at its own expense.[158]

10. *Indemnification and Insurance*

Typically, licensing agreements provide for two types of indemnification provisions: (1) an indemnity by the trademark owner with respect to third party claims challenging the licensee's use of the trademark; and (2) an indemnity in favor of the trademark owner relating to third party claims arising out of defective products manufactured or improperly marketed by the licensee. Not surprisingly, these provisions generally require prompt notification of the existence of such a claim. In these provisions, the trademark owner or licensing agent will make liability insurance a requisite and provide that the owner be named as an additional insured of the policy.[159] The insurance deductible is often the subject of negotiation and its maximum amount is usually expressed in these provisions.

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[155] *See id.* at 9 (insurance provisions).

[156] *Id.* at 11.

[157] *Id.* at 8.

[158] But *see supra* note 58. A licensee has no standing to bring a cause of action under 15 U.S.C. section 1114.

IV. The Future of Collegiate Licensing

Collegiate licensing appears bounded only by the imagination of its constituents and technology. The prospects of new products, new channels of advertising and distribution, and new participants (licensors, manufacturers, and licensees) should stoke collegiate licensing's uninterrupted growth.

A. New Products

Anticipating the potential saturation of trademarked apparel, universities are adopting principles of collateral-licensing to expand into non-apparel markets. Paper towels, napkins, paper plates, utensils, table cloths, and stadium blankets are all logical mediums for capitalizing on the throng of tailgaters at a Saturday afternoon game. Some less obvious examples of collateral products which have been licensed by schools are toilet paper, fishing lures, coffins, and even an attempt to license condoms.[160] Without exception, all participants in the collegiate licensing business recognize the enormous potential for electronics, video games and CD-ROMS.[161] Recently, the NCAA, GTE, and the Licensing Resource Group announced the development of an interactive CD-ROM game entitled NCAA Championship Basketball.[162]

Some universities recreate the market for existing apparel items by changing the style of their uniforms of logos. The Collegiate Licensing Company has commissioned a New York City designer to redesign the logos of highly-visible universities.[163] Sales of merchandise bearing the redesigned logos have been tremendous. The University of Kentucky Cgers recently made their sixth uniform change since 1989.[164] Interestingly, the new uniforms are made by Converse, the athletic apparel and shoe manufacturer with which UK head coach Rick Pitino has a six-figure-a-year deal and for which he is a spokesman.[165] Brisk sales of the shorts and tank tops have been reported at $59.95 and $79.95 respectively.[166] On its face, this practice appears tantamount to churning a consumer's investment in collegiate licensed wear.

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[159] Battersby, *supra* note 146, at 9.

[160] Hanna, *supra* note 3, at 2.

[161] *See* Donnan, *supra* note 125; *see also* Hanna, *supra* note 126 and Gilbert, *supra* note 127.

[162] The game features play among the NCAA's top 64 teams; amounting to the computer equivalent of the NCAA tournament.

[163] *See* Donnan, *supra* note 125.

[164] Jack McCallum and Richard O'Brien, "Scorecard," *Sports Ill.*, Feb. 26, 1996, at 30.

Another area of intense competition and growth is the market for authentics. Companies such as Starter, Apex, Nike, and Champion spend millions of dollars each year to receive an "official" affiliation with schools which provide the company sweeping exposure through television and school name recognition.[167] Notre Dame has recently negotiated an exclusive authentics agreement with Champion Products.[168] This arrangement should pay handsome sums[169] to both parties as Irish supporters across the United States and Canada rush out to purchase the uniforms of their favorite players. Additionally, universities have begun to license products in recognition of special events or accomplishments: 100 years of football, an NCAA tournament berth, or a national championship.[170]

B. New Channels of Advertising and Distribution

The most popular advertising and publicity mediums for promoting consumer awareness of collegiate licensed products are event programs, broadcast media, and trade publications.[171] Licensed product exposure also has been generated by providing licensed products for inclusion in television, movies and public sales or auctions.[172] Fashionably, the Internet is playing a role in the advertising and distribution of collegiate licensed products. Universities are establishing home pages on the

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[165] *Id.*

[166] *Id.* The University of Kentucky receives a 6% royalty on the wholesale price of all its merchandise.

[167] Michael A. Nichols, "A Look at Some of the Issues Affecting Collegiate Licensing," *Team Licensing Business* 18, 24 (April 1995).

[168] *See* Donnan, *supra* note 125.

[169] All revenue from the Champion authentic contract flows directly to the University of Notre Dame Athletic Department as it constitutes revenues directly related to athletics. Licensing revenues generated by the sale of every other manufacturer of Notre Dame's licensed products are paid into the University's general fund and used as an endowment for academic scholarship awards. Telephone Interview with Melissa Conboy, Associate Athletic Director, University of Notre Dame (Feb. 26, 1996).

[170] Dr. Finus P. Gaston, The Consolidation of Promotional, Media, Broadcast, and Licensing Properties to Maximize Institutional Exposure and Revenue Generation, A Presentation to the PAC-10 Licensing Directors (July 26, 1992).

[171] *See* Irwin, *supra* note 131, at 107.

[172] *Id.*

World Wide Web which concurrently entreat customer interest and facilitate purchases.[173] The NCAA has also implemented its own program on the Internet which will distribute merchandise through the program's electronic catalogs, on and off-campus retailers, and electronic kiosks.[174] Geographically, the frontier of collegiate licensing is experiencing international expansion.[175] In fact, licensing agents specializing in international business already possess sophisticated experience in the global marketing of collegiate licensed products.[176]

C. New Participants

This section of the article could well be entitled New Combinations of Participants. Cross-licensing is the term used to define joint licensing of one school's mark with other schools' marks. Collegiate licensing programs are actively pursuing joint-use agreements where two or more licensors allow their logos to appear together on merchandise. The Southeastern Conference's football championship, for example, is a fertile area for cross-licensing arrangements among the conference and its respective divisional winners.[177] Outside of intercollegiate athletics, cartoon characters are commonly used as successful joint-use agreement sources.[178] The Collegiate Licensing Company is currently preparing a cross-licensing program involving Olympic marks in conjunction with collegiate marks.[179] Similarly, The Licensing Resource Group has established a cross-licensing project which licenses the NCAA's marks with those of its member institutions.

Although cross-licensing offers lucrative opportunities, licensors must be completely cognizant of their co-parties' affiliations. The University of Missouri's Linda Gilbert identified a situation in Mizzou's licensing program which could present some trouble. Coca Cola maintains an exclusive contract with the University of Missouri for the sale of its products on the University of Missouri-Columbia campus. The University of Missouri is a participant in various national programs via CLC and LRG. Often, licensees such as Pizza Hut, which maintains an exclusive agreement with Pepsi for the sale of its product, participate in these programs. Should a national program covenant to provide athletic schedules of its participants on drinking cups, an interesting question arises as to which beverage logo will share space on the cup with the University of Missouri's logo.[180] From a legal perspective, the results are predictable. The manufacturers and or retailers participating in such national programs customarily execute non-exclusive agreements. The participating universities, as trademark owners, are uniformly entitled to render final approval of the manufacturer's artwork. Thus, a genuine legal conflict will rarely exist among retailers, but if it does, the university will have ultimate control over the product before it is introduced into commerce. The potential business conflict, however, should be recognized and addressed in the negotiation stage of these multi-party arrangements.

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[173] *See* Donnan, *supra* note 125. Ms. Donnan noted that extreme caution has been exercised in this area as the system for protecting a customer's credit card number logged in through the Net is not yet secure.

[174] "Executive Committee Tackles Marketing and Licensing Issues," *NCAA News*, Aug. 16, 1995 at 10.

[175] *See* Donnan, *supra* note 125. Notre Dame is already the top seller of sports licensed products in Canada and the licensed wares of high-profiled basketball programs can be seen on the youth of Europe and China.

[176] International Collegiate Enterprises, formerly affiliated with CLC, is regarded as the largest international agent for collegiate licensed products.

[177] *See* Drucker, *supra* note 139.

[178] "'Big Ten' Conference Innovative Licensing Program Enjoys Success," *LRG News*, Fall 1993.

[179] *See* Hanna, *supra* note 3, at 2.

Some commentators suggest that the NCAA serve as the clearinghouse for cross- licensing arrangements, functioning similar to the properties divisions of this country's professional sports leagues. Though logically appealing, this suggestion is untenable as each university owns the rights to its marks. Assigning the universities' marks to the NCAA would not solve the problem. In an analogous situation, the Supreme Court has previously held that the NCAA violated federal antitrust law in its negotiations on behalf of its members for the televising of football games.[181]

The most obvious area of expansion for collegiate licensing is the addition of new licensors and licensees. As noted, just over 10% of this country's universities maintain a licensing program. Arguably, not every school is qualified to adopt one. However, many small schools such as Tuskegee University have implemented modest licensing programs which take advantage of a school's local, regional or unique appeal.[182] Likewise, scores of manufacturers could be added to the roles of licensees. Given the powerful market control exerted by established sports product manufacturers, however, the biggest opportunities for manufacturers are in the area of collateral goods.

V. Conclusions and Prescriptions

Collegiate licensing has become an integral part of the business of universities. As its operation becomes better understood, new licensors and licensees will be compelled to participate in its generous benefits. From a university's perspective, the recent trend in case law affecting collegiate licensing has been favorable and the global appreciation for collegiate sports is unparalleled by any other time in history. The issue for the industry remains how to cultivate the growth of this business.

In addition to the quantitative methods of expanding collegiate licensing discussed above, qualitative measures must also be considered. One of the most glaring omissions of collegiate licensing programs has been the lack of licensee/retailer programs.[183] Such programs might include sales recognition awards, certificates of appreciation and licensee/retailer social or merchandising functions.[184] The Coalition to Advance the Protection of Sports Logos (CAPS) and the Association of Collegiate Licensing Administrators (ACLA) are two organizations established to advance the interests of licensees. CAPS is comprised of the properties divisions of the NFL, NHL, NBA, and MLB as well as the Starter Corporation and the Collegiate Licensing Company.[185] This organization facilitates the flow of interleague information. Boasting over 250 members, ACLA provides collegiate licensing administrators with a forum for compiling, reviewing and interpreting information on industry trends and contemporary business and legal issues.[186] Bolstered by these organizations, licensors start farther out along the licensing industry's learning curve and gain experience at an accelerated pace.

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[180] *See* Gilbert, *supra* note 127.

[181] *NCAA v. Bd. of Regents of the Univ. of Oklahoma*, 468 U.S. 85 (1984).

[182] *See* Drucker, *supra* note 139.

The most rewarding but equally challenging operation of any university's licensing program is the distribution of royalty revenues. Among the alternatives to be considered are endowments for athletic scholarships and contributions to the general scholarship fund. This author posits the potentially unpopular position that without the existence of successful athletic teams and the media's chronicling of their accomplishments, a university would derive little or no revenue from its licensing program.[187] Hence, directing licensing royalties to the university's athletic department should receive equal, if not priority, consideration. An immediate benefit would be realized by universities feeling the pressures of Title IX compliance. Many commentators submit that revenues generated by a university's athletic department should be deducted from university contributions for purposes of complying with Title IX.[188]

Capitalizing on the insatiable interest in college athletics, collegiate licensing affords its participants significant opportunities for generating revenue and recognition. Universities can no longer afford to overlook or underappreciate the significance of collegiate licensing.

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[183] *See* Irwin, *supra* note 131, at 107.

[184] *Id.* at 107 n. 42. The University of Missouri-Columbia has implemented a retailer appreciation program entitled Mizzou-Rah which hosts quarterly luncheons facilitating interaction with the licensees and recognizing exceptional performances.

[185] *See* Drucker, *supra* note 139.

[186] *Id.*

[187] The author fully appreciates that Harvard, Stanford and other schools commonly associated with academic excellence need not rely on the exploits of their athletic teams to generate licensing revenue. However, the aggregate licensing revenue generated by schools not associated with big time athletics is negligible in comparison to the industry total.

[188] *See, e.g.*, Walter B. Connolly, Jr. and Jeffrey D. Adelman, "A University's Defense to a Title IX Gender Equity in Athletics Lawsuit: Congress Never Intended Gender Equity Based on Student Body Ratios," 71 *U. Det. Mercy L. Rev.* 845, 911-912 (1994).

Exhibit One

AGENCY AGREEMENT

This is an Agreement between ________________________________, a corporation of the state of ______________ having its principal place of business at ___________________________ ________________________ ("University") and The Collegiate Licensing Company, a corporation of the state of Georgia, having its principal place of business at 320 Interstate North, Suite 102, Atlanta, GA 30339 ("CLC").

Whereas, University is the owner of certain designations including designs, trademarks, service marks, logographics, symbols and other Indicia, as hereinafter defined; and

Whereas, CLC desires to act as University's exclusive agent to license the use of one or more of the Indicia, as hereinafter defined, in connection with the marketing of various articles of merchandise and to conduct certain Promotions, as hereinafter defined; and

Whereas, University desires to appoint CLC to act as University's exclusive agent to license the use of the Indicia in such manner as to preserve the integrity, character and dignity of University and maintain the reputation of the Indicia as designating high quality merchandise.

Now, therefore, in consideration of the premises and the mutual promises and covenants herein contained, the parties hereto agree as follows:

1. DEFINITIONS -- For the purposes hereof:

(a) "Indicia" means the designs, trademarks, service marks, logographics and symbols which have come to be associated with the University including those set forth in Appendix A hereto.

(b) "Territory" means the United States of America, its territories, and possessions, and the Commonwealth of Puerto Rico, as well as United States military bases abroad.

(c) "Premium" means any article given free or sold at less than the usual selling price, for the purpose of increasing the sale, promoting or publicizing any other product or any service, including incentives for sales force, trade or consumer.

(d) "Promotion" means any activity involving the presentation of Indicia through advertising, publicity, or other means of exposure, in or on merchandise, Premiums, point of purchase displays, print, electronic or any other medium.

(e) "Annual Revenue" means the revenue received by CLC resulting from the use of the Indicia, during the period of July 1st to June 30th of any year of this Agreement.

2. GRANT OF AGENCY -- Subject to the limitations of Paragraph 4, University appoints CLC as University's exclusive agent to appoint licensees to use the Indicia on merchandise sold through retail channels in the Territory and to conduct Promotions in the Territory in the manner, but only in the manner, hereinafter set forth.

3. APPROVALS -- CLC agrees that it will permit the use of the Indicia only in connection with merchandise and promotions of the kind or character approved by the University. CLC acknowledges that if merchandise sold by licensees were of inferior quality in design, material or workmanship, the substantial goodwill which the University possesses in the Indicia may be impaired. Accordingly, CLC undertakes that the marketing will be done in such a way as to preserve the integrity, character and dignity of University and that the items of merchandise shall be of high quality. To assure the implementation of the stated purposes, CLC will:

(a) For merchandise of the types described in Appendix B attached hereto, CLC will inspect a sample of the merchandise, and shall submit to the University for its approval in accordance with subparagraph 3(c), specification descriptions of the merchandise, photographs thereof, and, if amenable, sample swatches. In addition, when appropriate, on a rotating basis with other universities being represented by CLC with regard to the same merchandise, CLC may submit actual samples to one or more of said other universities. If approved by the University and if CLC believes that the sample is of the quality contemplated by this Agreement, CLC may approve the sample as the prototype of merchandise for production and sale.

(b) For merchandise of types not described in Appendix B or for which the indicia to be used thereon depart significantly from the Indicia in Appendix A, CLC shall, before it permits the sale or distribution of any item of merchandise, furnish to University free of cost, for its approval, a sample of each item of merchandise.

(c) Recognizing the time constraints of production schedules, University shall have two weeks from receipt of a sample for approval in which to reject said sample, and in the absence of rejection, or upon earlier written acceptance, the sample shall be deemed as accepted to serve as an example of quality for that item. Only items manufactured in accordance with the corresponding samples accepted hereunder, and which have substantially the same relative quality position in the marketplace as do the samples thereof, may be permitted to bear the Indicia. However, CLC may furnish to University a further sample of any item of merchandise for which a change in quality, style and/or appearance is desired, and University shall have two weeks from receipt thereof in which to reject the further sample in writing; failure to reject will be deemed to be approval of the further sample as an example of quality for that item of merchandise.

(d) CLC will submit to University for its approval all Promotions developed by CLC.

4. EXCEPTIONS -- The grant of paragraph 2 shall not be exclusive, or shall not apply with respect to any item of merchandise, Indicia, and/or company listed in Appendix C hereto, and/or to any company doing business in a location listed in Appendix C, in accordance with the indications set forth in Appendix C.

5. PAYMENTS (a) -- With regard to Annual Revenue received by CLC resulting from use of the Indicia including, without limitation, royalties, minimum guarantee payments and licensing fees from licensees during the Term, and any extensions and/or renewals, of this Agreement, CLC shall pay to University ________________. Payments hereunder shall be made to University quarterly within thirty (30) days following each calendar quarter and shall be accompanied by a report setting forth activities resulting in said revenue and any other information as appropriate to enable an independent determination of the amounts due hereunder. CLC shall keep records of operations hereunder for at least four years after the date of payment and shall make such records reasonably available during normal business hours for examination by a representative of University to the extent necessary to verify the payments herein provided.

(b) To the extent permitted by law, the University agrees that it will not disclose the terms of Paragraph 5 hereof to other colleges and universities without the prior consent of CLC, which consent shall not be unreasonably withheld.

6. MANNER OF PAYMENT -- All amounts payable to University shall be paid in United States dollars by check made payable to ________________________________, and sent to

____

7. LEGAL – (a) CLC understands and agrees that, except when University and CLC have conflicting interests, University shall have the sole right, in University's discretion, to control the prosecution or defense of any action or lawsuit in which University and CLC are named parties, to decide whether to file and prosecute an action or lawsuit, or to appeal any judgment adverse to University as a joint or individual party, or to compromise or settle any potential or pending action or lawsuit, in any matter against a third party arising out of or related to this Agreement. CLC further understands and agrees that University shall have the sole right, in University's discretion, to select and retain counsel for any of these purposes. University agrees to consult with CLC, to the extent that it is feasible and not prejudicial to University's interest, before making any final decision in any matter in which University and CLC are aligned against a third party, and University further agrees that it shall not commit CLC to the terms of any compromise or settlement which would make CLC wholly or partly responsible for the payment of money to a third party without the prior written consent of CLC, which shall not be unreasonably withheld.

(b) CLC undertakes and agrees to provide, at reasonable cost to be borne by University, any evidence, documents, and testimony which may be requested by University to assist in the filing, prosecution, settlement, or appeal of any action or lawsuit, or potential action or lawsuit, in any court or in any state or federal agency, against any third party arising out of or related to this Agreement or in the defense by University of any action against University by any third party arising out of or related to this Agreement, and CLC shall join as a party plaintiff or defendant with University at University's request. In the event CLC is joined in any of said actions, either as party plaintiff or party defendant, it is understood that any expenses incurred by CLC in connection therewith, shall be paid by CLC and University shall have no liability for paying said expenses.

(c) University shall pay the costs and expenses of any action or lawsuit in any court or in any state or federal agency when University is a party thereto against a third party in any matter arising out of or related to this Agreement. Any award of attorneys' fees in any action in any court or in any state or federal agency shall be paid solely to University, and CLC shall not share therein. Any damages or profits ordered to be paid to University by any third party in any matter arising out of or related to this Agreement will, to the extent that such damages or profits are actually collected by University, be first retained by University to reimburse University fully for all costs and expenses incurred in the action or lawsuit, including compensation for the time spent by University's employees in connection with the action or lawsuit, and any remaining money, to the extent that it is compensation for royalties otherwise payable, will be divided between University and CLC as specified in paragraph 5 of this Agreement.

8. NOTIFICATION OF CLAIMS -- In the event that either University or CLC learns or becomes aware that any third party has made or may make a claim against University or CLC for any matter arising out of or related to this Agreement, the party learning or becoming aware of such actual or potential claim shall notify the other by telephone on the same day, and shall follow such telephonic notification with a full written report within 48 hours.

9. INQUIRIES -- University agrees that, if any potential licensee of any Indicia directs an inquiry to University, such inquiry will be forwarded to CLC for a response. CLC agrees that, upon receiving any inquiry from a potential licensee, whether from University or directly from such potential licensee, CLC will handle said licensee request in an expeditious manner.

10. BROCHURES -- University and CLC agree that they will cooperate in the preparation of a two-color brochure or pamphlet, consistent with the proper promotion of University's licensing program, a reasonable number of which will be printed at the University's expense, for the promotion of the licensing program. CLC agrees that the brochure or pamphlet is to be used solely for the promotion of the licensing program, consistent with the high reputation of University, and is not to be used for any other purpose, including, but not limited to, the promotion, advertising, or sale of any particular product or service or any activity not directly associated with University's licensing program.

11. RELATIONSHIP OF PARTIES -- Nothing herein shall give CLC any right, title, or interest in any Indicia of the University except the limited interest specifically stated in this Agreement, and all use by any licensee of any of the Indicia shall inure to the benefit of University. Neither CLC nor any licensee is empowered to state or imply, either directly or indirectly, that CLC or any licensee or any activities other than those pursuant to this Agreement and licenses issued pursuant to this Agreement are supported, endorsed or sponsored by University, and upon the direction of University, express disclaimers to that effect will be issued. Nothing herein shall be construed to place the parties in the relationship of partners or joint venturers, nor shall any similar relationship be deemed to exist between them.

12. INDEMNIFICATION -- University shall have no liability for any item manufactured or sold by a licensee, and CLC shall require all licensees to indemnify and hold harmless University and officers, employees, servants, and agents thereof from any and all liability caused by or arising from workmanship, material or design of any item manufactured or sold under any Indicia pursuant to a license granted pursuant to this Agreement. CLC shall require of each licensee that it have and maintain liability insurance sufficient to cover all foreseeable product liability claims. University shall not be liable to CLC or to any licensee, as the result of activities by CLC or any licensee

hereunder for infringement of any patent, copyright, or trademark belonging to any third party, or for damages or costs involved in any proceeding based upon any such infringement, or for any royalty or obligation incurred by CLC or any licensee because of any patent, copyright or trademark held by a third party except where Indicia is used as expressly authorized in this Agreement.

13. TERM -- This Agreement shall begin effective __________________ and shall expire on ____________________, unless sooner terminated or extended in accordance with the provisions hereof. This Agreement shall automatically be extended for additional yearly periods under the same terms and conditions unless either party shall give written notice of termination at least ninety (90) days prior to the end of the respective period.

14. TERMINATION OR EXPIRATION -- Upon termination or expiration hereof, all rights of CLC shall forthwith terminate except that CLC shall continue to receive compensation outlined in Paragraph 5 on all license agreements signed or renewed by CLC for a period of one year.

15. CORRESPONDENCE OF LICENSES -- The term of any license granted by CLC shall, as far as feasible, terminate no later than the termination of this Agreement.

16. DEFAULT -- If either University or CLC shall fail to perform any of the material terms or conditions of this Agreement and such material breach shall not have been cured within thirty (30) days after the non-defaulting party has given written notice thereof, the non-defaulting party shall have the right to terminate this Agreement, without prejudice to the right of compensation for losses and damages.

17. INSOLVENCY -- To the extent then permitted by law, this Agreement shall be terminated immediately if CLC shall make any assignment for the benefit of creditors, or shall file any petition under the Bankruptcy Act for reorganization, or file a voluntary petition of bankruptcy, or be adjudicated bankrupt or insolvent, or if any receiver is appointed for its business or property, or if any trustee in bankruptcy or insolvency shall be appointed under the laws of the United States or of the several states.

18. NOTICES -- All notices and statements to be given and all payments to be made hereunder, shall be given or made at the respective addresses of the parties as set forth above unless notification of a change of address is given in writing. Any notice shall be sent by registered or certified mail, or by mailgram, telex, TWX, telegram, or facsimile, and shall be deemed to have been given at the time it was mailed or transmitted.

19. SEVERABILITY -- In the event any portion of this Agreement is declared invalid or unenforceable for any reason, such portion is deemed severable herefrom and the remainder of this Agreement shall be deemed and remain fully valid and enforceable.

20. NONASSIGNABILITY -- This Agreement and any rights herein granted are personal to CLC and shall not be assigned, sublicensed or encumbered without University's written consent except that the Agreement and rights may be assigned along with CLC's entire business in licensing the marks of universities, provided the obligations of the Agreement are assumed by the assignee.

21. INTEGRATED AGREEMENT -- This Agreement constitutes the entire agreement and understanding between the parties hereto and cancels, terminates and supersedes any prior agreement or understanding relating to the subject matter hereof between the University and CLC. There are no representations, promises, agreements, warranties, covenants or understandings other than those contained herein. None of the provisions of this Agreement may be waived or modified except expressly in writing and signed by both parties. However, failure of either party to require the performance of any term in this Agreement or the waiver by either party of any breach thereof shall not prevent subsequent enforcement of such term nor be deemed a waiver of any subsequent breach. Paragraph headings are for convenience only and shall not add to or detract from any of the terms or provisions of this Agreement. When necessary for appropriate meaning, a plural shall be deemed to be the singular and a singular shall be deemed to be the plural.

22. APPLICABLE LAW -- This Agreement shall be construed in accordance with the laws of the state of _______________.

UNIVERSITY	THE COLLEGIATE LICENSING CO.
By: ______________________________	By: ______________________________

Appendix A

University is the owner of all rights, title, and interest in and to the following Indicia, which includes trademarks, service marks, trade names, designs, logos, seals, and symbols.

VERBIAGE

GRAPHICS

In addition to the above referenced Indicia, all indicia hereafter associated with University which are approved and/or used by University shall be subject to the same terms and conditions as if they were fully set out hereinabove.

Appendix B

CATEGORY PRODUCT

1. Bags:
   - Back Packs
   - Tote
   - Beverage (Thermo)
   - Carrying and Luggage
   - Special Purpose
2. Bedroom Accessories:
   - Bedspreads
   - Draperies
   - Sheets
   - Blankets/Comforters
3. Belt Buckles (with or without belt)
4. Blankets: Stadium/Lap
5. Button:
   - Clothing
   - Lapel (Enamel)
6. Calendars
7. Car Accessories:
   - Emblems
   - Horns
   - License Plate Frames
8. Floor Coverings:
   - Carpet
   - Rugs
   - Mats
9. Christmas Accessories:
   - Tree Ornaments
   - Decorations
10. Timepieces:
    - Clocks
    - Watches
11. Toilet Goods:
    - Colognes
    - Cosmetics
12. Electronic Devices:
    - Phones
    - Radios
    - Calculators
    - Musical Devices
    - Ceiling Fans
13. Furniture (Indoor & Outdoor):
    - Chairs
    - Tables
    - Lounges
    - Beds
14. Headwear:
    - Caps/Hats
    - Knitted
    - Formed
15. Helmets: (special authorization)
16. Illumination Devices:
    - Lamps
    - Flashlights
    - Candles
    - Matches
    - Lighters
17. Wall Hangings:
    - Picture Frames
    - Mirrors
    - Posters
18. Beverage Containers:
    - Glassware
    - Pewter Mugs
    - Ceramic Mugs
    - Temperature Retainer Vessels
    - Insulator Covers
19. Pillows/Cushions
20. Plastic Containers:
    - Cups
    - Glasses
    - Bowls
21. Playing Cards
22. Precious Metal:

- Charms
- Necklaces
- Bracelets
- Rings
- Earrings
- Tie Tack
- Coins

23. Shoes

24. Shoe Laces

25. Soap (Assorted)

26. Stadium Seats

27. Stationery Products

28. Statuary and Artwork

29. Transfers/Decals

30. Sunglasses

31. Toilet Seats

32. Bathroom, Kitchen or Cooking Accessories
    - Towels
    - Aprons
    - Trivets

33. Toys, Games, Stuffed Animals

34. Umbrellas

35. Wallets and Purses

36. Wastebaskets/Metal Trays

37. Writing Instruments

38. Sewing Kits & Needlepoint

39. Wearing Apparel:
    - Fleece Items
    - Athletic Jerseys
    - Warm-ups (non-fleece)
    - Placated Collared Shirts
    - Non-collared Shirts (non-fleece)
    - Shorts
    - Jackets
    - Infant Sets
    - Sleepwear
    - Pants

40. Rainwear

41. Knitwear:
    - Gloves/Mittens
    - Scarfs
    - Socks
    - (see also headwear)

42. Food Items

43. Novelty:
    - Pennants
    - Key Chains
    - Miscellaneous

Appendix C

EXCEPTIONS

- The University concurs in the basic concept that no user of its marks and logos should be exempt from royalty payments and will make every good faith effort to comply with this concept. However, the University reserves the right to exempt any user from royalty payments if circumstances warrant that it would be in the best interests of the University.

- University purchases for internal consumption.

Exhibit Two

LICENSING RESOURCE GROUP STANDARD LICENSE AGREEMENT

THIS AGREEMENT, effective upon execution by both Parties, is by and between the Licensing Resource Group, Inc., located in Iowa City, Iowa ("LRG"), and the business entity ("Licensee") identified in Schedule A. "Parties" shall mean Licensee and LRG.

PREAMBLE

LRG represents the interests of the Universities identified in Schedule B ("Universities") in commercially exploiting certain of the Universities' Licensed Marks;

Licensee desires a non-exclusive license to use one or more of the Licensed Marks in connection with the manufacture, sale, and/or distribution of Licensed Products in accordance with this Agreement;

Consequently, in consideration of the mutual promises and obligations in this Agreement, and other consideration, the Parties agree as follows:

TERMS AND CONDITIONS

DEFINITIONS

"Licensed Marks" means the Universities' trademarks, service marks, trade names and related designs, logographics and symbols including, but not limited to, those identified on Schedule B attached, those provided on the Universities' art sheets, and any "Derivative Licensed Works" as defined in paragraph 10.5 of this Agreement.

"Licensed Products" means the products listed on Schedule E which bear one or more Licensed Marks and/or any packaging, advertising, or print materials bearing one or more of the Licensed Marks.

"Premium" means any article given free or sold at less than the usual selling price for the purpose of fund raising, sales incentives, combination sales, prizes, publicizing any other product or service, or for any other giveaway or promotional purposes.

"LRG's written approval/consent" means approval or consent sought by the Licensee and granted by LRG only by means of a writing signed by an authorized representative of LRG.

"Net Sales Price" means Licensee's aggregate gross price, including the royalty amount, charged to customers for the Licensed Products, less returns actually made and credited and universally offered and published discounts actually applied.

1. GRANT

1.1 LRG grants Licensee, under the terms of this Agreement, limited, revocable, non-exclusive licenses, without the right to grant sublicenses, to use the Licensed Marks and to make and use certain derivative works thereof on the products listed in Schedule E in the United States, its territories and possessions, the Commonwealth of Puerto Rico, and U.S. military bases overseas, unless otherwise indicated in Schedule B. This Agreement may be assigned only upon written authorization from LRG. All rights not specifically granted Licensee under this license are reserved to LRG and/or the Universities.

1.2 Subject to all the terms of this Agreement, Licensee has the limited right to authorize manufacturers to produce Licensed Products provided that such authorization is limited to producing Licensed Products for Licensee only. Licensee shall require all such manufactures to sign the manufacturer's agreement that appears as Exhibit II of this Agreement and shall be responsible for ensuring that the Licensed Products produced by the manufacturers and any actions undertaken by the manufacturers satisfy all the requirements of this Agreement. Licensee assumes all responsibility for any actions undertaken by manufacturers relating to the use of the Licensed Marks and the manufacture, sale or distribution of the Licensed Products. Licensee shall provide a list of all such manufactures as Exhibit III. LRG shall have the right at any time to require Licensee to terminate such authorization.

1.3 Licensee shall not, without LRG's prior written consent, manufacture, sell or distribute the Licensed Products as Premiums, nor in any connection whatsoever with lotteries, games of chance, firearms, sexually-oriented products, tobacco or alcoholic beverage promotion.

1.4 Licensee shall not, without LRG's prior written consent, advertise, sell or otherwise market Licensed Products through direct mail or catalog sales to lists of students, parents of students, faculty, staff, alumni, contributors or similar group maintained or compiled by the Universities.

2. TERM OF AGREEMENT

Unless terminated by operation of law or in accordance with this Agreement, the effective dates of the licenses granted under this Agreement are indicated in Schedule B. This Agreement, and the licenses granted herein, shall be automatically renewed for one year terms immediately upon expiration of the preceding terms unless either Party gives written notice of termination within ninety (90) days prior to the end of the respective period. All terms of this Agreement shall remain in full force and effect, excluding the original termination dates, throughout all subsequent renewal periods.

3. MODIFICATION OF SCHEDULES

3.1 The Universities and their policies listed in Schedule B and the products listed in Schedule E may be changed periodically upon request by LRG or the Universities. LRG shall give written notice to Licensee of any changes in the Schedules. If Licensee wishes to become licensed for other universities which LRG represents after this Agreement becomes effective, it may add such universities by addenda to Schedule B which shall be signed by both Parties and shall be subject to all of the terms of this Agreement.

3.2 As set forth in paragraph 12.2, either Party may terminate this Agreement upon 90 days prior written notice. Similarly, either Party may terminate this Agreement as it pertains to any of the Universities listed in Schedule B upon 90 days prior written notice.

4. QUALITY CONTROL, APPROVALS AND SAMPLES

4.1 Licensee warrants that the Licensed Products and all promotional, advertising and packaging material shall meet the quality and standard requirements set forth in Schedule D. Approval of a particular product pursuant to 4.2 shall not be deemed a waiver of any of the quality and standard requirements set forth in Schedule D.

4.2 Licensee shall submit a reasonable number of representative samples of all Licensed Products to LRG at no cost for review and written approval prior to any use, sale or other distribution. Licensee shall not distribute any Licensed Products until final approval of such samples is received in writing from LRG. LRG, in its sole discretion, may grant or withhold approval.

4.3 Licensee shall submit representative artwork and depictions of any proposed use of the Licensed Marks to the people designated by LRG for review and written approval prior to any use, sale or other distribution. Licensee shall not distribute any Licensed Products until final approval of the artwork and depictions of the Licensed Marks is received in writing from those designated people.

4.4 Licensee shall immediately remove from sale or distribution and cease manufacture of any previously approved Licensed Product, associated artwork, or advertising material to which LRG or the Universities rescind approval. Upon rescission of approval, the Licensee shall ship all such unapproved products, associated artwork, and advertising material to LRG at Licensee's expense. LRG will not unreasonably rescind approval of any products previously approved.

4.5 Licensee represents and warrants that all Licensed Products which it advertises, distributes and sells shall be substantially identical to and of no lesser quality than the final samples approved. Licensee shall submit to LRG for written approval any proposed change from the final samples approved involving any alteration in the structure, design or quality of the Licensed Products, or any change in the use of Licensed Marks, prior to Licensee's advertisement, sale or distribution.

4.6 Upon request by LRG, Licensee shall, at its own expense, ship to LRG, or to an entity designated by LRG, a reasonable number of Licensed Products that Licensee is producing, selling, or distributing. Each Licensed Product shall be shipped in its usual container with all packaging, tags, instructional, promotional, or other materials which usually accompany the product.

4.7 Licensee shall not offer for sale, advertise, promote, distribute, or use for any purpose any packaging or Licensed Products that are damaged, defective, seconds, or that otherwise fails to meet the specifications or quality requirements listed in Schedule D of this Agreement without the prior written consent of LRG. In no event shall the Licensee offer for sale, advertise, promote, or distribute, packaging or Licensed Products that are damaged or defective in such a way that they do not meet the requirements of numbers one (1), seven (7), eight (8), nine (9), or ten (10) of Schedule

D. The approval by LRG of the sale of products or packaging with minor cosmetic defects shall in no way be deemed to be approval to sell products or packaging that are defective in such a way that they do not meet the requirements of numbers one (1), seven (7), eight (8), nine (9), or ten (10) of Schedule D.

4.8 To ensure that standards of quality as reflected in the approved samples of Licensed Products and advertising are being maintained, LRG or its duly authorized representatives have the right to enter and inspect the premises of Licensee during reasonable hours and upon reasonable notice during the term of this Agreement and during the time provided for disposition of inventory following termination of the Agreement.

4.9 In the event that the quality of the Licensed Products, associated artwork, or advertising material falls below the previously approved level, LRG shall have the right to require Licensee to immediately discontinue the production, sale, or distribution of the Licensed Products, artwork, or advertising material.

5. ROYALTIES

5.1 Licensee shall pay LRG the non-refundable administration fees specified in Schedule B. Pursuant to Schedule B, these fees may be required each year the Agreement is in effect.

5.2 Licensee shall pay LRG the non-refundable Annual Advances/Minimum Guaranteed Royalties specified in Schedule B. These non-refundable Annual Advances/Minimum Guaranteed Royalties shall be paid each term the agreement is in effect pursuant to Schedule B. The Annual Advances/Minimum Guaranteed Royalties for the initial term of the licenses shall be due prior to execution. Annual Advances/Minimum Guaranteed Royalties for subsequent renewal terms shall be billed to Licensee and must be paid to LRG prior to renewal of the licenses.

5.3 Licensee shall pay LRG the royalties recited in Schedule B ("Royalties") based on the Net Sales Price of all Licensed Products sold.

5.4 Computation of Net Sales Price shall not include deductions made for commissions, freight, uncollectible accounts, costs incurred in the manufacture, sale, advertisement or distribution of the Licensed Products, or any indirect or overhead expense of any kind whatsoever, except as specified in the definition of Net Sales Price.

5.5 Licensed Products shall be deemed to have been sold when invoiced or, if not invoiced, when shipped, paid for, or when title passes to the buyer, whichever is first.

5.6 The Royalties specified in Schedule B are payable by Licensee even if it does not charge the buyer for the Licensed Products. In such cases, the Royalties shall be based on the usual Net Sales Price charged for the same or similar products to other buyers in the same or similar locality.

5.7 Sales made to certain accounts may be exempt from the obligation to pay royalties. Any such exemptions are listed in Schedule B.

6. PAYMENT SCHEDULE AND STATEMENT

6.1 Within thirty (30) days following the last day of each calendar quarter, Licensee shall provide LRG a complete and accurate statement of Licensee's sales of Licensed Products during the preceding quarterly period. Such statement shall be certified by an authorized representative of Licensee. Licensee shall submit the statement in the format and containing the information specified in Schedule C, whether or not any Licensed Products were distributed or sold and whether or not Royalties were earned during the preceding quarter.

6.2 With submission of Licensee's quarterly statement, Licensee shall simultaneously pay in United States currency the amount shown to be due on the quarterly statement. Licensee shall make payments in April, July, October and January for each preceding three month's sales. LRG's acceptance of any of Licensee's statements or payment of Royalties shall not preclude LRG from questioning the accuracy of such statements or payments. Licensee shall immediately rectify inaccurate payments and/or statements of account.

6.3 If the Royalties due are not timely paid, Licensee shall pay interest on such Royalties at the rate of one and one-half percent (1 1/2%) per month (or the maximum rate allowed by law, if lower) until paid.

7. COMPLIANCE REVIEW

7.1 Licensee shall keep complete, accurate, and verifiable records at its principal place of business showing all transactions relating to the licenses herein granted. Such books and records shall include numerically sequenced invoices, shall be retained by the Licensee for a period of at least three (3) years after the payment of the corresponding Royalties and for at least two (2) years after expiration of this Agreement, and shall be available for inspection and copying by LRG or its duly authorized representatives during normal business hours and upon reasonable notice by LRG.

7.2 In the event that a compliance review reveals underpayment by Licensee, Licensee shall immediately remit payment to LRG in the amount of the underpayment plus interest at the rate of one and one-half percent (1 1/2%) per month (or the maximum rate allowed by law, if lower) from the date such payment was due until the date when such payment is actually made.

7.3 In the event that a compliance review shows an underpayment greater than 10% of the Royalties due or $500.00 (whichever is less) for any Quarterly Royalties Period, the Licensee shall reimburse LRG for the costs and expenses, including reasonable attorneys' fees, of the review.

8. USE OF LICENSED MARKS

8.1 Licensee shall not state or imply either directly or indirectly that Licensee or Licensee's activities, other than those specified in this Agreement, are supported, endorsed or sponsored by LRG or the Universities. This Agreement does not constitute a partnership, joint venture or franchise, and Licensee shall not use the name of LRG or the Universities in its business or affairs other than in the performance of its rights and obligations under this Agreement.

8.2 Licensee shall not alter, modify, dilute misuse, or otherwise bring into disrepute the Licensed Marks.

8.3 Licensee shall not use any other trademark, service mark, trade name, logo, symbol or device in combination with any Licensed Marks, without the prior written consent of LRG or the Universities. Licensee shall not affix a copyright notice other than the Universities' copyright notice or attempt to obtain copyright or trademark in any artwork which contains or is derived from the Licensed Marks without express written permission of LRG or the Universities. Any such copyright obtained by the Licensee for the artwork used on the Licensed Products may not be assigned without the express written permission of LRG or the Universities.

8.4 Licensee shall include on each Licensed Product, advertising, or packaging material by means of a tag, label, imprint or other appropriate device, such copyright, trademark or service mark notices as LRG or the Universities may from time to time designate.

8.5 Licensee shall affix to each Licensed Product, advertising, or packaging material, by means of a tag, label, imprint or other appropriate device approved by LRG in advance, a legend designating the product as an official licensed product and showing Licensee's name. Prior to sale of the Licensed Products, the Licensee shall submit a sample of such tag, label, imprint or other device to LRG for approval.

8.6 At LRG's request, Licensee shall remove from any advertisement, marketing material, product or package bearing the Licensed Marks and under Licensee's control or access, any element that LRG believes will harm the Licensed Marks or the Universities' reputation.

9. COMMERCIALIZATION BY LICENSEE

Licensee shall commence distribution, shipment and sale of the Licensed Products in commercially reasonable quantities in the Licensed Territory within six months after the effective dates of this Agreement and, thereafter, shall continue to distribute and sell the Licensed Products in the Licensed Territory during the term of the Agreement. Licensee agrees to use its best efforts to make and maintain adequate arrangements to meet the demand for the Licensed Products. Licensee shall sell the Licensed Products at a competitive price, not more than at the price customarily charged by the Licensee, and not on approval, consignment, sale or return basis. Licensee agrees to sell the Licensed Products only to retail stores for sale directly to the public. Any other avenue of distribution must be expressly approved in writing by LRG.

10. OWNERSHIP AND PROTECTION OF RIGHTS

10.1 Licensee recognizes the great value of the publicity and goodwill associated with the Licensed Marks, acknowledges that such goodwill belongs exclusively to the Universities, and that such good will shall inure to the benefit of the Universities. Licensee acknowledges and agrees that all of the Licensed Marks and any marks confusingly similar to the Licensed Marks have acquired secondary meaning.

10.2 Licensee acknowledges the Universities' exclusive right, title and interest in and to the Licensed Marks, will never represent that it has any ownership in them or in any registration of them, and will not knowingly do or cause to be done any act or thing contesting or impairing any part of such right, title and interest. Licensee's use of the Licensed Marks inures to the benefit of the Universities and Licensee shall not register or attempt to register, in any jurisdiction, the Licensed Marks or designations colorably similar.

10.3 Licensee shall not use or authorize use, either during or after the term of this Agreement, any configuration, mark, name, design, logo or other designation confusingly similar to the Licensed Marks. Should Licensee, during the term of this Agreement or at anytime thereafter, assert ownership in any insignia, mascot, designation, or trademark in any jurisdiction, which is the same as, or confusingly similar to any of the Licensed Marks, Licensee will, upon request of LRG, transfer or assign all right, title, and interest that it asserts in such insignia, mascot, designation, or trademark, including but not limited to any registrations, to the Universities or the Universities' designee.

10.4 Licensee agrees that it shall not, on the basis of its use of the Licensed Marks, oppose or seek to cancel in any court or state or federal agency, including, but not limited to, the United States Patent and Trademark Office, any registration for any mark which the Universities file applications or obtain registrations for, whether such use be by the Universities directly or through different Licensees or authorized users. Licensee shall not initiate any legal actions based on the use of any material or artwork that includes the Licensed Marks, including, but not limited to actions involving copyright infringement of any material containing Licensed Marks, without the prior express written consent of the Universities or LRG. LRG and the Universities shall have the option to be consulted regarding such litigation at their sole discretion.

10.5 Pursuant to paragraph 4.3, the form and content of all artwork used by the Licensee on the Licensed Products is subject to prior written approval by the people designated by LRG. Licensee expressly agrees that any artwork, designs, reproductions, or derivative works thereof, created or invented by Licensee which are derived to any extent whatever from the Licensed Marks (collectively, the "Derivative Licensed Works") are, for copyright purposes, works made for hire for the Universities under the Copyright Act of 1976, as amended. In no event shall any of the Derivative Licensed Works be considered joint works. To the extent the Derivative Licensed Works do not fit within the definition of work for hire under the Copyright Act of 1976 or any successor law, all intellectual property rights in the Derivative Licensed Works, including all copyright and trademark rights, are by this Agreement assigned to the Universities. To that end, Licensee represents and warrants that all work on the Licensed Marks or Derivative Licensed Works, performed by, at the request, or under the authority of this Agreement, shall be performed only by Licensee's employees or by its independent contractors who have executed a work for hire agreement and assignment, in the form found in Exhibit I, signed by Licensee and the independent contractor. Licensee agrees to indemnify and hold harmless LRG and the Universities from all loss (including but not limited to legal fees and costs) resulting from a breach of this warranty. Further, such Licensed Marks and/or Derivative Licensed Works, may, in the Universities' sole discretion, be registered in the U.S. Copyright Office or in the U.S. Patent and Trademark Office, as appropriate, in the name of the Universities or, if registered in the name of the Licensee, will be assigned to the Universities. To that end, Licensee shall assign to the Universities all right, title and interest in the Derivative Licensed Works and in all intellectual property rights in them, and agrees that the Universities may register, at the Universities' expense, the assignment in the U.S. Copyright Office or the U.S. Patent and Trademark Office, as appropriate, in the name of the Universities. Licensee agrees that it will not, at any time, assert any right in any such copyright or trademark registered or assigned to the Universities. Further, to the maximum extent permitted by law, Licensee waives any moral rights, including the rights of integrity and paternity, that exist now or that may be created in the future with regard to the Licensed Marks or the Derivative Licensed Works.

10.6 Licensee shall notify LRG in writing of any infringement or improper use of the Licensed Marks that comes to its attention. Licensee shall assist the Universities or LRG in obtaining, defending and enforcing its rights in or registrations of the Licensed Marks, at reasonable cost to be born by the Universities or LRG, by providing evidence, testimony, and documents concerning Licensee's use of the Licensed Marks.

10.7 The Universities shall have sole right to determine whether or not any action shall be taken on account of any such infringement or imitation of the Licensed Marks. Licensee shall not contact the third party, make any demands or claims, institute any suit, or take any other action on account of such infringements or imitations without first obtaining the prior express written permission from the Universities. All costs and expenses, including attorneys' fees, incurred in connection with any such suit instituted by the Licensee without the consent of the Universities shall be borne solely by the Licensee.

10.8 With respect to all claims and suits involving infringement or improper use of the Licensed Marks, which are brought by or against any third party, including suits in which the Licensee is joined as a party, the Universities shall have the sole right to employ counsel of their choosing and to direct the handling of the litigation and any settlement thereof. The Universities shall be entitled to receive and retain all amounts awarded as damages, profits or otherwise in connection with such suits.

11. INDEMNIFICATION AND INSURANCE

11.1 LRG and the Universities assume no liability to Licensee or third parties with respect to the performance characteristics of the Licensed Products manufactured, sold, or distributed by Licensee. Licensee shall indemnify and hold harmless LRG, the Universities, and their respective officers, employees and agents from any and all claims, demands, actions, causes of action, suits, proceedings, damages, liabilities and costs and expenses of every nature, including attorney's fees, relating to or arising out of the manufacture, sale, or distribution of the Licensed Products. Notwithstanding the above, the Licensee shall not be responsible for costs arising out of claims of copyright or trademark infringement that are based solely on depicting the Licensed Marks in the form set forth in Schedule B. This shall not be interpreted as requiring LRG or the Universities to indemnify, insure, or hold harmless Licensee in any way for any such matter.

11.2 Licensee represents and warrants that all artwork and designs which incorporate or are used in conjunction with the Licensed Marks are not subject to any valid copyright, trademark, or other property rights of third parties. Approval of artwork and designs by the people designated

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by LRG pursuant to paragraph 4.3 shall not be deemed authorization to use the artwork, designs, trademarks, and/or copyrights of any third parties. Rather, such approval shall be deemed to be approval to use the Licensed Marks in conjunction with the authorized use of particular settings, designs, or artwork. Licensee must obtain separate authorization from any third parties whose artwork is being used on the Licensed Products. Neither LRG nor the Universities shall be liable as a result of activities by Licensee under this Agreement for infringement of any copyright or trademark belonging to any third party, for damages or costs involved in any proceeding based upon any such infringement, or for any royalty or obligation incurred by Licensee because of any copyright or trademark held by a third party.

11.3 Throughout the term of this Agreement, Licensee shall maintain, at its own cost and from a qualified insurance company, insurance for bodily injury and property damage liability, including product liability, in at least the minimum amounts specified in Schedule A. An insurance company shall be deemed to be "qualified" only if it has a Moody's rating of at least B.

11.4 This insurance coverage shall be provided with respect to all claims for damages arising out of the manufacture, sale or distribution of the Licensed Products or from the use of the Licensed Products or their advertisement, regardless of when such claims are made or when the underlying injuries occur or manifest themselves. Policies maintained by Licensee shall include a severability of interest clause, an endorsement naming LRG, the Universities identified in Schedule B, and their respective officers, employees and agents as additional insureds insofar as this Agreement is concerned, and shall provide that notice shall be given to LRG at least thirty (30) days prior to cancellation or material change in the policies. Copies of certificates evidencing this insurance shall be delivered to LRG prior to the effective dates of this Agreement. Licensee shall not manufacture, distribute, or sell Licensed Products prior to LRG's receipt of such evidence of insurance.

12. TERMINATION

12.1 Except as otherwise provided, this Agreement shall terminate in accordance with paragraph two (2).

12.2 Right to Termination on Notice: This Agreement, or any of the licenses granted herein, may be terminated at any time by either Party without cause on ninety (90) days' prior written notice to the other Party.

12.3 Immediate Right of Termination: LRG shall have the right immediately to terminate this Agreement by giving written notice to the Licensee if the Licensee does any of the following:

(a) Manufactures, sells, promotes, distributes or uses, in any way, any Licensed Products without having the prior written approval of LRG, or continues to manufacture, sell, promote, distribute or use, in any way, any Licensed Products after receipt of notice from LRG disapproving or withdrawing approval of same;

(b) Except under federal bankruptcy laws, files a petition in bankruptcy, is adjudicated as bankrupt or insolvent, makes as assignment for the benefit or creditors or an arrangement pursuant to any bankruptcy law, discontinues its business, or its business is appointed a receiver;

(c) Breaches any of the conditions or provisions of this Agreement and fails to cure within ten (10) days after notice from LRG;

(d) Fails either to (1) have begun bona fide manufacture, distribution and sale of Licensed Products within six (6) months from the effective dates of this Agreement; or (2) manufacture, distribute or sell such Licensed Products bearing Licensed Marks for twelve (12) consecutive months.

12.4 Immediate Right to Terminate a Portion of this Agreement: LRG shall have the right immediately to terminate the portion(s) of this Agreement relating to any Licensed Products in connection with which the Licensee becomes subject to any voluntary or involuntary order of any governmental agency involving the recall of any of the Licensed Products or promotional and packaging material because of safety or health risks to the public.

13. LICENSEE'S DUTIES UPON TERMINATION

13.1 Upon termination of this Agreement pursuant to paragraphs 12.3 and 12.4, Licensee shall immediately discontinue the manufacture, sale, or distribution of all Licensed Products and the use of the Licensed Marks and Licensee shall ship to LRG, at Licensee's expense, all unsold Licensed Products. Licensee further agrees that continued manufacture, sale or use will result in immediate and irreparable damage to LRG and the Universities, making injunctive relief appropriate.

13.2 Upon termination for reasons other than those enumerated in 12.3 and 12.4, LRG grants Licensee the right, within three (3) months after termination, to dispose of its inventory of Licensed Products at the Net Sales Price. This disposition shall be subject to the terms of this Agreement including, but not limited to, those requiring reports of sales and payment of Royalties. After the three (3) month period, Licensee agrees to ship to LRG, at Licensee's expense, all unsold Licensed Products. Licensee's right to dispose of its stock after termination of this Agreement is subject to the condition that, within thirty (30) days after termination, Licensee will:

(a) pay to LRG all Royalties accrued to the time of termination,

(b) deliver to LRG a report of sales up to the time of termination in the form required by Section 6.1 of this Agreement,

(c) provide LRG with an inventory of unsold Licensed Products remaining and allow LRG at its option to conduct a physical inventory to verify the statement, and

(d) allow LRG entrance onto the business premises to inspect the necessary records to perform an audit, or if not possible, to produce all necessary records for inspection by LRG.

14. SURVIVAL OF RIGHTS AND OBLIGATIONS

Termination or expiration of this Agreement shall not impair any rights of LRG and the Universities, or obligations of Licensee, including but not limited to payments, statements of account, compliance review, disposition of inventory and indemnification.

15. REMEDIES

Licensee acknowledges that its material breach of this Agreement will result in immediate and irremedial damage to LRG and the Universities, and that money damages alone will be inadequate to compensate LRG and the Universities. Therefore, in the event of a material breach or threatened material breach of any material provision of this Agreement by Licensee, LRG may, in addition to all other remedies, obtain injunctive relief prohibiting the breach or compelling specific performance.

16. SEVERABILITY

Should any provision of this Agreement be held unenforceable or in conflict with the law of any jurisdiction where its enforcement is sought, the remaining provisions of this Agreement shall still be given effect and be enforced to the maximum practicable extent.

17. WAIVER

No waiver of this Agreement shall be valid unless in a writing signed by the Party against which the waiver is sought to be enforced. No waiver by either Party of any breach of or failure of performance under this Agreement shall be deemed a waiver as to any subsequent or similar breach or failure of performance. Failure of LRG or the Universities to enforce any provision or to exercise any right or remedy shall not constitute a waiver of any of LRG's or the Universities' rights or Licensee's obligations.

18. GOVERNING LAW

Unless otherwise indicated in Schedule B, this Agreement shall be governed and construed by the laws of the state of Iowa as they apply to agreements executed and performed in Iowa and any claims or litigation arising under this Agreement, shall, at LRG's election, be prosecuted in the state or federal court in Iowa having jurisdiction and venue.

19. NOTICES

Any notice shall be sent by First Class U.S. mail, express or overnight service, or by telefacsimile *(confirmed by telephone), shall be deemed given on the earlier of the date of confirmed receipt or the first business day after dispatch, and shall be sent to the addresses given below, or such other addresses as may be designated in writing during the term of this Agreement:

TO LICENSING RESOURCE GROUP, INC.:
Licensing Resource Group, Inc.
515 Kirkwood Avenue
P.O. Box 2778
Iowa City, Iowa 52244-2778
LRG's Phone: (319)-351-1776
LRG's Fax: (319)-351-1978

TO LICENSEE: at the address specified in Schedule A.

20. CONFIDENTIALITY

The Licensee agrees that any information acquired under this Agreement or pursuant to the performance of this Agreement shall not be deemed to be confidential.

21. FORCE MAJEURE

Neither Party shall be deemed in default or otherwise liable hereunder due to its inability to perform by reason of any fire, earthquake, flood, epidemic, accident, explosion, casualty, strike, lockout, labor controversy, riot, civil disturbance, act of public enemy, embargo, war, act of God, or any municipal, county, state, national or international ordinance or law or any executive, administrative, judicial or similar order (which order is not the result of any act or omission to act which would constitute a default under this Agreement), or any failure or delay of any transportation, power, or other essential thing required, or similar causes beyond the Party's control. Any delay in performance shall be no greater than the event of force majeure causing the delay. If an event of force majeure continues uninterrupted for a period exceeding six (6) calendar months, either Party may elect to terminate this Agreement upon notice to the other, but such right of termination, if not exercised, shall expire immediately upon the discontinuance of the event of force majeure.

22. ATTORNEY'S FEES

In the event LRG or the Universities prevail in an action against Licensee for the enforcement or breach of this Agreement, LRG or the Universities shall be entitled to recover reasonable attorney's fees and costs of the proceeding.

23. INCORPORATION

All Exhibits and Schedules attached to this Agreement are hereby incorporated in their entirety by reference in this Agreement. This incorporation includes the Work for Hire Agreement contained in Exhibit I, the Manufacturer's Agreement contained in Exhibit II, the list of authorized Manufacturers contained in Exhibit III, Schedule A, Schedule B, Schedule C, Schedule D, Schedule E, and any Addenda thereto.

24. INTERPRETATION

This Agreement contains the entire agreement between the Parties with regard to this subject matter, supersedes all prior agreements between them pertaining to this subject matter, and may be executed, altered, or amended only in a writing executed by authorized representatives of the Parties. The word "or" shall be interpreted to have both its conjunctive and disjunctive meanings wherever possible. The paragraph titles are intended solely for convenience and shall in no event affect or be used in connection with the interpretation of this Agreement.

The following signatures represent that the Parties have read this Agreement in its entirety, including the incorporated and attached Exhibits and Schedules, and by their execution below have agreed to all its terms and conditions.

LICENSEE LICENSING RESOURCE GROUP, INC.

By:______________________________	By:______________________________
Title: ____________________________	Title: ____________________________
Date:_____________________________	Date: ____________________________

Exhibit I

INDEPENDENT CONTRACTOR WORK FOR HIRE AND ASSIGNMENT AGREEMENT

This Agreement is between ____________________________("Licensee"), a licensee of the Licensing Resource Group, Inc. ("LRG"), and ________________________ ("Contractor"), Licensee's independent contractor who is to create a certain work ______________________________ (the "Work"), derived from trademarks, service marks, logos, symbols and other pictorial, graphic or sculptural works (the "Intellectual Property") owned by ("University").

Contractor agrees, as part of the consideration for its being able to perform the Work for Licensee that, for copyright purposes, the Work is a derivative work of University's Intellectual Property, is a work for hire for University under the Copyright Act of 1976, as amended, and that Contractor assigns all copyright rights in the work to University. Contractor further agrees that the Work shall not be considered a joint work and that University solely shall own for all purposes the Work and all intellectual property rights in it. To that end, Contractor agrees to, and does, assign to University all right, title and interest in the Work and in all intellectual property rights in it, and agrees that University may register, at University's expense, the Work in the U.S. Copyright Office and/or the U.S. Patent and Trademark Office in the name of University. Contractor agrees never to assert any right in any such copyright or trademark registered or assigned to University. Contractor further waives, to the maximum extent permitted by law, any moral rights, including the rights of integrity and paternity, that exist now or that may be created in the future with regard to the Work.

CONTRACTOR	LICENSEE
By: ____________________________	By: ____________________________
Title: __________________________	Title: __________________________
Date: __________________________	Date: __________________________

Exhibit II

MANUFACTURER'S AGREEMENT

This Agreement is between ______________________________ ("Licensee"), a licensee of the Licensing Resource Group, Inc. ("LRG"), and ______________________________ ("Manufacturer"), Licensee's independent contractor who is to manufacture or produce products which will bear or otherwise incorporate the trademarks of the ______________________________ ("University"). Hereinafter such products shall be referred to as "Licensed Products".

Subject to the requirements of the Standard License Agreement between LRG and Licensee, Manufacturer may produce Licensed Products for sale and/or distribution exclusively to Licensee. Any other production, distribution, and/or sale of Licensed Products may be made only with the express written authorization from LRG or the University.

Manufacturer recognizes the goodwill associated with the University and agrees that any use of the trademarks of the University shall inure to the benefit of the University. Manufacturer agrees that it will not assert ownership in any of the trademarks of the University or anything confusingly similar.

All Licensed Products manufactured or produced by Manufacturer for Licensee shall be subject to all terms of the Standard License Agreement between LRG and Licensee.

Upon request by LRG, Manufacturer shall furnish to LRG an itemized report of all sales of Licensed Products.

This Agreement may be terminated by Licensee upon written notice to Manufacturer.

MANUFACTURER	LICENSEE
__________________________	__________________________
By: ______________________	By: ______________________
Title: ____________________	Title: ____________________
Date: ____________________	Date: ____________________

SCHEDULE A

1. LICENSEE:

Name:

Contact Person:

Address:

Phone:

Fax:

2. Product Liability Insurance

NON-DEDUCTIBLE amounts carried

Bodily injury:	Property damage:
$1 million each occurrence	$ 300,000 each occurrence
$1 million aggregate	$ 300,000 aggregate

SCHEDULE B

B-1

__________________ ("University")

1. Licensed Marks Official University Colors

    1.
    2.
    3.
    4.
    5.
    6.
    7.
    8.
    9.

2. Term

This license shall become effective upon execution by both Parties and shall expire on: _ ______________________. This license shall automatically renew immediately upon expiration of the preceding term for yearly terms in accordance with paragraph two (2) of this Agreement.

3. Administration fee

The Licensee shall pay a non-refundable administration/registration fee of $0.

4. Royalty Rate

The Licensee shall pay a Royalty at the following royalty rate: 7.5% on the "Net Sales Price" as defined under "Definitions" and in paragraph 5.4.

5. Exemptions:

University purchases not for resale

6. Annual Advance/Minimum Guaranteed Royalty

The Annual Advance/Minimum Guaranteed Royalty which is due upon execution of this Agreement shall be $250. Licensee shall be required to pay this Annual Advance/Minimum Guaranteed Royalty for each term this Agreement is in effect.

SCHEDULE C

LICENSING RESOURCE GROUP

QUARTERLY ROYALTY REPORT FOR [Date of Report]

______________ UNIVERSITY

(Report must be filed even if no Royalties are due) (For quarter ending ____________ .)

LICENSEE: Royalty checks payable to:

LICENSING RESOURCE GROUP

Mail to:

Gene Wandling, Treasurer
Licensing Resource Group, Inc.
P.O. Box 2778
Iowa City, Iowa 52244-2778
(319) 351-1776

(Date of shipment may be used in lieu of invoice date when appropriate)

Product Sold To	Invoice Date	Invoice Number	Product Description/Style	Price Per Unit	Gross Sales

NO. FOR LICENSED PRODUCTS

TOTAL GROSS SALES OF LICENSED PRODUCTS:

PREPARED BY: LESS: returns credited:

TITLE: TOTAL NET SALES OF LICENSED

PRODUCTS subject to Royalties:

ROYALTY PERCENTAGE:

SUBTOTAL:

LESS: advance royalty balance:

ROYALTIES DUE FOR THIS QUARTER:
(and payment enclosed with report)

Complete and return within thirty (30) days after each calendar quarter.

THANK YOU.

LATE PAYMENT WILL BE ASSESSED 1 ½ PER CENT INTEREST PER MONTH.

SCHEDULE D

QUALITY AND STANDARD REQUIREMENTS

1. The Licensed Products bearing the Licensed Marks are to be manufactured by Licensee or its manufacturer pursuant to paragraph 1.2 and sold by Licensee or its distributor in strict compliance with all applicable state and federal laws and regulations, particularly flammability and toxic standards. Licensee may be required to show evidence of certification.

2. The Licensed Products shall be of high quality, in design, material and workmanship and suitable for the purpose intended by the buyer.

3. The Licensed Products must be of such style and appearance as to have a positive impact on the Universities' reputation. Words, shapes, symbols or devices that are obscene or scandalous are unacceptable.

4. Garments must meet customary industry standards in both adult and youth sizes and must be at least standard cut or full cut.

5. When affixed to products, the Licensed Marks shall be clear and legible without bleeding of line or color.

6. Garments shall be made of shrink resistant material and shall be of sufficient weight as to withstand ordinary wear. Textile and leather goods shall be resistant to tearing and, if dyed, shall be of fade resistant colors.

7. All stuffed toys and children's toys shall be made of non-toxic and non-allergenic material and shall not contain small items or breakable pieces which could be injurious to children.

8. Products made of metal, wood, wood products, glass or plastic shall resist breakage or shattering when dropped on a wooden surface from a distance of one yard and shall resist bending when used by a child of 12 years of age.

9. No injurious, deleterious or toxic substances will be used in or on the Licensed Products.

10. The Licensed Products will not cause harm when used as instructed and with ordinary care for their intended purpose.

SCHEDULE E

Licensed Products

1.

2.

3.

4.

5.

NAMES AND LOGOS: PROTECTION UNDER INTELLECTUAL PROPERTY LAWS AND CONSEQUENCES

Balaram Gupta

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Balaram Gupta

cite as 2 *Sports Law. J.* 245 (1995)

I. INTRODUCTION

In recent years, intellectual property laws have played an increasingly prominent role in the sports industry. A growing number of cases in the sports industry deal specifically with intellectual property issues. The reason for this growth in litigation is that sports are gaining considerable public attention; the fascination with team names and logos is increasing, the names of popular stars, such as Michael Jordan, Joe Montana, etc., attract a great deal of attention from the public, and many different types of merchandise are sold under the stars' names. Furthermore, trademarks on sporting goods are used by several sports organizations such as the United States Olympic Committee, the Professional Golf Association, and the United States Tennis Association. Finally, professional leagues, such as the National Football League (NFL), Major League Baseball, and the National Basketball Association (NBA), have drawn tremendous media attention, which intensifies the competition between the manufacturers of sporting goods. As a result of the growing number of cases, many excellent law review articles have been written about trademark disputes.[1]

Intellectual property laws provide protection for one's right in the intangible property, i.e., a form of property right in intangible creations of the mind.[2] In a broad sense, intellectual property

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[1] See e.g. Glenn M. Wong, "Recent Trademark Law Cases Involving Professional and Intercollegiate," *Det. C. L. Rev.* 87-119 (1986); David E. Shipley, "Three Strikes and They're Out at the Old Ball Game: Preemption of Performers' Rights of Publicity Under the Copyright Act of 1976," 20 *Ariz. St. L.J.* 369 (1988); Shelley R. Saxer, "Note, *Baltimore Orioles, Inc. v. Major League Baseball Association*: The Right of Publicity in Game Performances and Federal Copyright Preemption," 36 *U.C.L.A. L. Rev.* 861 (1989).

[2] The term "property" has various meanings, and the exact meaning is determined by the circumstances. The word "property" as used in intellectual property law means something of pecuniary worth, and does not mean that it has solved all problems of the shape and scope of a legal right, *see, e.g., Commissioner v. National Carbide Corp.*, 167 F.2d 304, 306 (2d Cir 1948). A better definition of "property" may be found in Judge Goldberg's opinion in *First Victoria National Bank v. United States*, 620 F.2d 1096, 1102-1103 (5th Cir. 1980), which reads as follows:

> [W]e must remind ourselves that "property" is an expansionistic term. Its mooring is contemporary rather than historical. The attempt to define "property" is an elusive task. It is not capable of anatomical or lexicographical definition or proof. It devolves upon the court to fill in the definitional vacuum with the substance of the economics of our time. Some kinds of property known to the English common law never made the transatlantic voyage to our shores. Other kinds have died out over

encompasses a wide body of legal doctrines, namely, trademark, copyright, patent laws, and trade secrets. Another area of law which has become an important part of the intellectual property law is the right of publicity. The right of publicity doctrine is perhaps more important than any other doctrine of intellectual property in the sports industry.[3] However, all doctrines of intellectual property are interrelated, and in many cases they overlap. Trademarks, unfair competition, copyrights, and patents are governed by federal law. Article 1, Section 8 of the United States Constitution gives Congress the power to regulate laws pertaining to intellectual property. Clause 3, which describes congressional commerce power, is the constitutional basis for federal trademark legislation; Clause 8 is a source of federal copyright and patent legislation.[4] Trade secrets, unfair competition, undeveloped ideas, and the right to publicity are governed by state law.[5] In certain situations, particularly in dealing with trademarks or copyrights, state common law plays an important role.[6]

The principal objective of intellectual property law in the United States is to grant a limited monopoly to the originator of information. The rationale for this protection is to encourage creativity and fairness to the consuming public and to ensure commercial morality. For example, trademark law encourages businesses to invest in symbolic representation of their goods and services by prohibiting competitors from using the same symbol on their wares. Similarly, copyright law offers exclusive commercial rights for the works of authors, artists, composers, and their publishers for a limited period. Finally, commercial exploitation of one's name or likeness is protected under the "right of publicity" doctrine.[7] Intellectual property law plays a major role in the sports industry because, for example, it provides legal protection for team names and logos under trademark laws. Photographs of the players and games, as well as video tapes of games, are protected under copyright

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> the years, and new forms have taken their place "Property" evolves over time. It can be defined as the bundle of rights attached to things conferred by law or customs, or as everything of value which a person owns that is or may be the subject of sale or exchange. Both of these definitions contemplate the possibility that law or custom may create property rights where none were earlier thought to exist.

[3] For a treatise on this topic, see, e.g., J. Thomas McCarthy, *The Rights of Publicity and Privacy* (Clark, Boardman, and Callaghan, Release #9, April 1993).

[4] Article 1, Section 8 of the United States Constitution reads, in pertinent parts, as follows:

> The congress shall have power .
>
> (3) To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes.
>
> (8) To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

[5] *See, e.g.*, Paul Goldstein, *Copyright, Patent, Trademark and Related State Doctrines 1-20* (Revised 3rd ed., University Case Book Series 1993).

[6] Goldstein, *supra* note 5, at 219; *see also Hirsch v. S.C. Johnson & Son, Inc.*, 280 N.W.2d 129 (Wis. 1979).

[7] J. Thomas McCarthy, "Melville B. Nimmer and the Right of Publicity: A Tribute," 34 *U.C.L.A. L. Rev.* 1703 (1987).

laws. The commercial exploitation of the names, photographs, and symbolic representation of the players are protected by the "right of publicity" doctrine. Patent law generally pertains to a property right in new, useful, and nonobvious technological information; therefore, patent law is seldom involved in sport related issues. However, there are some cases in sport related industries where design patent infringements are claimed in the context of sporting equipment.[8] Nevertheless, patent related issues are beyond the scope of this article and will not be discussed.

This article will discuss recent cases which define some of the critical issues raised in intellectual property cases. This article will also explore some of the defenses a defendant may have. In some cases, the distinction made by the courts between sports and nonsports trademarks will be highlighted. The right of publicity doctrine, as related to sports celebrities, will be reviewed. The impact of copyright laws on the sports industry, with particular emphasis on the issues dealing with names and logos, will also be discussed. Finally, the article will cover the controversy between the Copyright Act of 1976 and state laws and the effect on preemption of state common law dealing with the right of publicity.

II. TRADEMARK LAW

A. Definition

The Federal Trademark Act of 1946, commonly known as the Lanham Act,[9] governs the definition of trademarks.[10] A trademark is defined in the Lanham Act as "any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others."[11]

The Lanham Act definition of trademark draws upon both state trademark laws and state common law trademark doctrines. However, in most instances the state common law protection and the federal protection of trademarks, while similar, are independent but may be concurrently controlling.[12]

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[8] *L.A. Gear Inc. v. Thom McAn Shoe Company*, 988 F.2d 1117 (Fed. Cir., 1993).

[9] 15 U.S.C.A. § § 1051-1127 (1946; amended in 1982 and Supp. 1989).

[10] *Id.* at § 1127.

[11] Jane C. Ginsburg, Davis Goldberg, & Arthur J. Greenbaum, *Trademark and Unfair Competition Law* 27 (The Michie Company 1991).

[12] For example, a senior user, i.e., the first user of a trademark, may be protected under state common-law, but a junior user who has a federal protection, i.e., the second user of a trademark, because of federal registration of his mark, acquires superior rights to the senior user and cannot take away the right already possessed by such senior user. However, the senior user is not permitted to expand his zone of operation, *see, e.g., Wrist-Rocket Manufacturing Co. v. Saunders Archery Company*, 578 F.2d 727 (8th Cir. 1978).

1. Types of Marks

There are basically four types of marks: a) trademarks, b) service marks, c) collective marks, and d) certification marks. As defined under the Lanham Act, trademarks refer to goods that can be distinguished from other types of goods. Service marks are defined as marks used in the sale or advertising of services employed to distinguish them from the services of others.[13] It should be noted that the trademark identifies and distinguishes the source and quality of a tangible product, and the service mark identifies and distinguishes the source and quality of an intangible service.[14] A collective mark is a trademark or service mark used by members of an organization to identify their membership and to identify their goods or services as being produced by a member of that organization.[15] Certification marks are words, names, symbols, or devices used by one person to certify that the goods or services of others have certain characteristics or qualities.[16] Normally, trademarks and certification marks for goods appear on the product or on its packaging, but service marks appear in the advertisement for services. A collective mark may appear on the product or in the advertisement.

Equal protection and the ability to be registered are given to all marks under the Lanham Act.[17] In sports cases, disputes may arise when teams' names or logos, which are protected as trademarks, are used without authorization. Note that league and team names and logos are service marks when used to identify the activities of the leagues and teams. A league name or logo may even be considered a collective membership mark. With the exception of certification marks, all types of marks become important in sports related cases.

2. Functions of Marks

There are at least four functions of trademarks: 1) to establish its distinctive identity by distinguishing itself from the competition; 2) to establish that all products and services bearing the same name are of equal quality; 3) to signify that goods bearing the same trademark come from the same source; and 4) to aid in the sale of goods and services.[18] By providing assurance of quality through the use of a trademark name, the seller or manufacturer also establishes goodwill, which is often accredited with the "buyer momentum" and "the lure to return."[19]

The major function of a trademark is to be distinctive. The distinctiveness of marks may be classified into four different categories in the descending order of their strength: 1) arbitrary and fanciful marks; 2) suggestive marks; 3) descriptive marks; and 4) generic marks. Arbitrary and fanciful marks are afforded the highest protection because they are inherently distinctive. For example, "Giants" or "Dodgers" are some of the fanciful names which clearly identify the teams. There will be a greater likelihood of confusion if such names are used by a third party, because the consumer would more than likely be associating the third party with the original mark owner. On the other hand, if the mark carries merely a descriptive name, it will not be given the same level of protection as the likelihood of confusion is much less. In determining if a mark is descriptive, consider if the mark 1) describes the product or service it identifies, or 2) describes the geographical location from which the goods or services emanate, or 3) constitutes a person's surname. Some examples of descriptive names are "Major League Baseball" and "Major League Baseball Players Association."[20]

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[13] 15 U.S.C.A. § 1127 (1946).

[14] J. Thomas McCarthy, Trademarks and Unfair Competition § 19.29 at 935 (1973).

[15] 15 U.S.C.A. § 1127 (1946, 1982, Supp. 1989).

[16] *Id.* Since certification marks are used primarily to define the quality of goods or services, they are not encountered very often in sports related cases.

[17] J. Gilson, Trademark Protection and Practice § 1.02(1) at 1-7.

[18] McCarthy, *supra* note 4, § 3.1(b) at 104-05.

[19] *Id.* § 2.8(B) at 74.

A plaintiff who owns a descriptive mark in an infringement suit must show proof of a secondary meaning. Secondary meaning is defined as a mental recognition in the buyer's mind: associating symbols, words, colors, and designs with goods from a single source.[21] An owner of a mark with a fanciful name need not prove a secondary meaning because the mental association is always with that one source. The owner of a descriptive mark must establish secondary meaning in order to show conclusively that the name used by him is associated with his product, and that any use of a similar name by others would infringe on the owner's rights to the mark.[22]

In summary, fanciful or arbitrary names are given the highest protection. On the other end of the spectrum lies the generic names which are given almost absolutely no protection. In the middle of the spectrum (i.e., towards generic) are the descriptive names, which are given only little protection and almost always need to establish secondary meaning and suggestive marks, which, depending upon the circumstances of the case, the rightful owner may or may not need to establish secondary meaning.[23]

B. Governing State and Federal Laws

The federal trademark statute, the Lanham Act, signed into law on July 5, 1946, was the first major substantive federal trademark legislation in the United States. This statute has been amended several times.[24] A major revision to the Lanham Act was done in 1988.[25] A salient feature of this amendment is the alteration of the use requirement, which allows applicants to register a bona fide intent to use the mark. This provides an opportunity for the user to reserve the mark until the product is ready for marketing. Prior to this revision, an owner of the mark could register his mark only if he was using the mark in commerce.

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[20] *See, e.g.*, *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d at 4, 9 (2nd Cir. 1976).

[21] *See, e.g.*, *Levi Strauss & Co. v. Blue Bell, Inc.*, 632 F.2d 817 (9th Cir. 1980).

[22] *See, e.g.*, *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126 (2nd Cir. 1979).

[23] Goldstein, *supra* note 5, at 219-43.

[24] The 1962 "housekeeping" amendments, Act of October 9, 1962, P.L. 87- 772, 76 Stat. 769; the 1975 amendments, Act of January 2, 1975, P.L. 93-600, § 3, 88 Stat. 1955.

[25] The Trademark Law Revision Act of 1988, which came into effect on November 16, 1989.

By registering the trademark with Patent and Trademark Office (PTO), one can claim protection under the federal trademark statute. In the absence of federal registration, a person can still claim protection for his mark under either state common law or state statutes. The common law action is based upon unfair competition, or an act of deceit, such as the fraudulent use of another's well- identified mark. As in the federal act, the central inquiry in the common law action is whether there is a likelihood of confusion to consumers.[26]

C. Case Law Analysis

1. Requirements for Federal Registration of a Trademark

Before analyzing the rights of a plaintiff in a trademark infringement action, one must consider the general requirements for registering a trademark with the PTO and recent court opinions on this issue. In general, an applicant may apply for federal registration of a trademark with the PTO in three different ways. First, an applicant who has already used the mark in interstate commerce may file for registration based on that prior use. Second, a person who has a bona fide intent to use the mark in commerce may file an intent to use application. Finally, one can file for federal registration based on application or registration of the mark in another country. Once the properly filed application is received by the PTO, the PTO will search through its files for any conflicting marks. The test used by the PTO to determine if there is any conflict with prior marks is the likelihood of confusion, that is, whether relevant consumers would be likely to associate the goods or services of one party with those of the other party as a result of the use of the marks at issue. The PTO examines the similarity of the marks and the commercial relationship between the goods and services identified by the marks to determine if there are any conflicts. Marks need not be identical, and the goods and services need not be the same for there to be a conflict.[27]

A recent case broadened the test for the likelihood of confusion. *In re Major League Baseball Players Alumni Association (MLBPAA)*, the court held that the examiner cannot refuse to register a mark based simply on previous registrations.[28] In *MLBPAA*, the PTO refused to register MLBPAA's mark for the applicant's services promoting the interests of former professional baseball players. The basis for the rejection was that the mark was very descriptive and would probably cause confusion with the already registered service marks of MAJOR LEAGUE BASEBALL. The examiner insisted that the applicant disclaim all the wording in its mark, as it was descriptive. The applicant unsuccessfully argued that the words "Major League Baseball Players Association" are not descriptive. The board, on re-examination, reaffirmed the examiner's decision. The applicant appealed to the Court of Appeals, Federal Circuit.

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[26] Robert C. Denicola, "Institutional Publicity Rights: An Analysis of the Merchandising of Famous Trade Symbols," 62 *N.C. L. Rev.* 603 (1984).

[27] Goldstein, *supra* note 5, at 203.

[28] No. 92-1058, 26 U.S.P.Q. 2d 1919 (Fed. Cir. 1993).

In reversing the board's decision, the court analyzed the issue of likelihood of confusion by comparing the two marks at issue. The court concluded that the two services were distinct and that, coupled with the differences in the designs in the logos, created only a small likelihood of confusion. This decision expanded the scope for determining similarity between marks. The PTO must now consider the disparity of the services, the differences in design, and the descriptive terms of the marks.[29]

2. *Rights of a Plaintiff in a Trademark Infringement Action*

The courts allow three causes of action through which the rightful owner of a trademark may file suit against an infringer: 1) an unfair competition action under state common law or a state statute; 2) an unfair competition action under section 43(a) of the Lanham Federal Trademark Act; or 3) an action under § 1114 of the Federal Trademark Act.

a. Unfair Competition Action Under State Common Law or a State Statute

Early trademark infringement cases involved the doctrine of unfair competition. This doctrine emanated from the law of torts, and it covers a number of theories, such as passing off, dilution, misappropriation, and disparagement. Under these theories, the plaintiff's action rests on three elements: 1) plaintiff's investment in goodwill, 2) defendant's deceptive acts, and 3) consumer confusion as to source of the goods or services. Determination of these elements is highly fact sensitive. For example, the greater the distinctiveness of the plaintiff's name or symbol, the lesser the need for direct proof of consumer confusion.

As noted earlier, many states have passed statutes by which a plaintiff can claim a remedy, in addition to common law rights. For instance, New Jersey has codified the common law authority for unfair competition in order to protect the original mark user from any deceptive acts of an infringer.[30] Similarly, New York,[31] California, Wisconsin, and many other states have enacted a number of remedial and criminal statutes to address the issue of unfair competition.

1) Passing Off

Essentially, passing off is defined as false representation of the defendant which creates a confusion by which a consumer thinks that the goods or services come from the plaintiff.[32] The acts of a defendant may be direct, indirect, or contributory.[33]

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[29] *Id.* at 1920.

[30] N.J.S.A. 56:3-13.11,56:4-1.

[31] *See, e.g.*, for anti-dilution statutes, N.Y. McKinney's General Obligations Law § 368-d.

[32] *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526 (1924).

[33] Goldstein, *supra* note at 5, 56-70.

2) Dilution

To establish a claim on the theory of dilution, the plaintiff must show i) diminution in uniqueness of the plaintiff's mark, ii) tarnishment, and iii) devaluation of the plaintiff's mark through confusion.[34]

In *AMF Inc. v. Sleekcraft Boats*,[35] the plaintiff was entitled to a limited injunction against the defendant's use of the mark "Sleekcraft" for its line of high-speed, sporty recreational boats. The plaintiff claimed the mark "Sleekcraft" infringed upon his registered mark, "Slickcraft," for his line of recreational boats. In addition, the plaintiff claimed under the theory of dilution that the defendant's act would tarnish his image. Even though the defendant used similar sounding words on his product, the court acknowledged that the defendant used a distinctive logo on his boats and brochures which negated the similarity of the words.[36] The court concluded that the plaintiff failed to show that his mark was strong enough to be diluted, and, therefore, there was no tarnishment of the plaintiff's image. The court held that a mark may be deemed a "strong mark" only if it is inherently distinctive, like a fanciful or arbitrary name, and that only such mark would be afforded the widest ambit of protection.

3) Misappropriation

To succeed in a misappropriation claim under unfair competition, a plaintiff must prove i) he has invested a lot of time, money, and skill in establishing his mark, ii) the defendant has appropriated plaintiff's good name so as to constitute "reaping where he has not sown," and iii) the plaintiff's injury is a direct result of the defendant's action.[37]

In clarifying the element requiring a showing of the plaintiff's investment of time, money, and skill in establishing his mark, the court in *Hirsch v. S.C. Johnson & Son, Inc.*[38] stated that the plaintiff does not have to show prior marketing of products or services under his mark; rather, it is sufficient to prove that use of his mark by the defendant would create a likelihood of confusion as to sponsorship. The court reached this decision through the unusual circumstances of the case. The plaintiff, an outstanding athlete and a well known professional football player, had acquired the nickname, "Crazylegs." A sportswriter for the *Chicago Daily News* created the name during a game in 1942 when the athlete finished a remarkable 62 yard touchdown. Since then, he was known as "Crazylegs," and the court noted that he was referred to as "Crazylegs" in newspapers as recently as June 24, 1979. The defendant marketed a product, a moisturizing shaving gel for women, under the name "Crazylegs." The defendant acknowledged that it had not received the plaintiff's consent for the use of this nickname and admitted that the plaintiff's nickname was "Crazylegs."

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[34] *L.L. Bean, Inc. v. Drake Publishers Inc.*, 811 F.2d 26 (1st Cir. 1987), *cert. denied*, 483 U.S. 1013 (1987); the lower court used the Maine antidilution statute to evaluate a sexual parody of the plaintiffs, but the appellate court reversed the injunction on the grounds that it violated defendant's first amendment rights.

[35] 599 F.2d 341 (9th Cir. 1979).

[36] *Id.* at 351.

[37] *See, e.g.*, *International News Service v. Associated Press*, 248 U.S. 215 (1918).

[38] 280 N.W.2d 129 (Wis. 1979).

In reversing the trial court's decision to grant the defendant's motion to dismiss because the plaintiff failed to state a claim upon which relief could be granted, the Supreme Court of Wisconsin held that the trial court erred in applying the common law standards for trademark infringement. Instead, the court stated that the applicable cause of action was for Wisconsin's common law tradename infringement. Under Wisconsin tradename law, there need not be evidence of any prior marketing of a product or service under the plaintiff's nickname. During the course of this litigation, the Wisconsin legislature enacted a statute by which a plaintiff could state a cause of action for appropriation of his name for the purposes of trade or advertisement.[39]

4) Disparagement

Disparagement occurs when a defendant states falsely or deceptively the quality of the plaintiff's goods or services. In *Tyco Industries, Inc. v. Lego Systems, Inc.*,[40] the plaintiff, Tyco, sought a declaratory judgment for trademark infringement and unfair competition against defendant, Lego. The defendant counterclaimed under state common law and under Section 43(a) of the Lanham Act for the false descriptions or representations. The dispute arose out of the plaintiff's advertisement for its building blocks in which it compared the blocks with the defendant's product. In pertinent parts, the advertisement read as follows: "TYCO SUPERBLOCKS LOOK AND FEEL LIKE LEGO BLOCKS. AND THEY WORK TOGETHER TOO. TYCO JUST COSTS MUCH LESS. SO, IF YOU CAN'T TELL THE DIFFERENCE, WHY PAY THE DIFFERENCE?"

Tyco made no attempt to disclaim that "Lego" is a registered trademark of the defendant and that Tyco is not affiliated with the defendant by any means. In contradiction to the plaintiff's claims, the court found there were substantial material differences between the two products. After a lengthy analysis of the evidence submitted by both parties, the court concluded that Tyco created confusion by failing to state in its advertisement that Lego is unrelated to Tyco.

The court in *Tyco* used several tests to determine that Tyco was involved in false advertisement. First, the court analyzed the features of both products to determine if there were substantial similarities between the products as claimed by Tyco. The court also considered the function of the products. Second, the court analyzed the surveys conducted by both parties in order to evaluate consumers' view of the products. Third, the court compared the costs of the products. Finally, the court used the tests to establish secondary meaning and likelihood of confusion.

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[39] Even though the court never acknowledged its decision to be a "right of publicity" type of remedy, the Wisconsin legislation was closely related to this doctrine. *See, e.g.*, Wis. Stat. sec. 895.50, under the general caption of the "Right of Privacy"; sec. 895.50 (2)(b) in pertinent parts reads as follows:

> [T]he use, for advertising purposes or for purposes of trade, of the name, portrait or picture of any living person, without having first obtained the written consent of the person.

[40] No. 84-3201, Westlaw 1987 WL 44363 (D.N.J.); 5 U.S.P.Q. 2d 1023 (D.N.J. 1987), *aff'd*, 853 F.2d 921 (3rd Cir. 1988).

The case law on unfair competition has matured into an area with fewer controversies. The courts have proposed well conceived tests to evaluate plaintiffs' claims, particularly in infringement actions. At the same time, many states have either codified the case law or passed legislation to protect the interests of the rightful mark owner.

b. Unfair Competition Actions Under the Federal Trade-Mark Act--Lanham Act, Sect. 43(a), 15 U.S.C.A. § 1125(a)

In order to provide relief for a person who has suffered losses due to an unfair competition act of another, the Lanham Act, § 43(a) provides a federal cause of action for unfair competition. This act essentially creates three types of federal unfair competition claims: 1) passing off claims – "false designation of origin" in connection with goods or services; 2) false advertising claims – "false or misleading description of fact or representation of fact" – in which the plaintiff need only demonstrate that he is likely to be damaged by defendant's false representations; and 3) disparagement claims -- "false or misleading description of fact or representation of fact." The plaintiff must establish federal jurisdiction by showing that the prohibited activities took place in or affected interstate commerce. Interestingly, to claim relief under this act, the trademark need not be registered. Thus, this section also provides a remedy to a rightful unregistered owner of a mark in a federal action, similar to the state common law action.[41]

In *National Football League Properties, Inc. v. New Jersey Giants, Inc.*,[42] the court held that "[the] defendant's use of the 'Giants' mark was likely to cause confusion or mistake or deceive purchasers of such merchandise as to the source, sponsorship or approval by the NFL and the New York Giants and thus constituted unfair competition."[43] The defendant intentionally, willfully, and admittedly adopted the mark, "New Jersey Giants," and began selling the merchandise to fans of the Giants' football team. The plaintiff, National Football League Properties, Inc. (NFLP), sent out two cease and desist letters; the defendant ignored them and continued to do business. The plaintiff instituted this action to permanently enjoin the defendant from operating its business. The court noted in dicta that the defendant's use of the marks to market merchandise bearing the words "New Jersey Giants" constituted false designation of origin and false description or representation as to the source, sponsorship or approval of such merchandise by the NFL and the Giants in violation of Section 43(a) of the Lanham Act, 15 U.S.C.A. § 1125 (a).

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[41] Lanham Trade-Mark Act § 43(a), 15 U.S.C.A. § 1125(a); Pre- November 16, 1989 version:

> Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

[42] 637 F. Supp. 507 (D.N.J. 1986).

[43] *Id.* at 507.

The court further stated that when the defendant willfully and intentionally uses marks similar to that of the plaintiff's, such an act not only manifests his intent to confuse, but also raises the presumption of a likelihood of confusion. The defendant bore the burden of proof to establish that there was no likelihood of confusion arising out of his sale of merchandise bearing the words "New Jersey Giants." The court rejected the plaintiff's contention that the defendant also violated its service mark. The court reasoned that the services specified in the registration of the New York Giants' marks were "entertainment services in the form of professional football games and exhibitions," and since the defendant's infringement was only the use of marks on the goods, and not on the services, the defendant did not violate the plaintiff's service marks.[44]

c. *Actions Under Federal Trade-Mark Act – 15 U.S.C.A. § 1114*

Generally speaking, the same set of facts that would enable the plaintiff to recover under the Lanham Unfair Competition Act will enable a plaintiff to recover under the Federal Trademark Act. However, there are some differences between the two acts. A key difference is that a plaintiff, who is a bona fide registered owner of the mark, can bring an action under the Federal Trademark Act against any unauthorized use of his mark by others. By registering his mark, the rightful owner has given constructive notice to the world.[45] The practical result is that the registration gives the registrant superior rights, not only in the geographic area of actual use (which he would have anywayunder the common law), but in all areas of the country in which the mark is not actually being used at the time of registration.[46] In addition to injunctive relief, the act allows treble damages and attorney fees, which are not generally available under common law.[47]

In *National Football League Properties v. Playoff Corporation*,[48] the court declined to grant the plaintiff's motion for preliminary injunction. The court held that "[a]lthough [the] plaintiff showed substantial likelihood of success on merits, [the] plaintiff failed to show that irreparable harm would result from failure to issue injunction.."[49] This reaffirmed many other courts' standard of review for preliminary injunction cases. Several courts have held that in order to obtain a preliminary injunction, a plaintiff must demonstrate (a) irreparable harm and (b) either (1) likelihood of success on the merits or (2) sufficiently serious questions going to the merits to make them a fair ground for litigating and a balance of hardships tipping decidedly toward the party requesting the preliminary relief.

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[44] *Id.* at 516.

[45] 15 U.S.C.A. § 1072, (1946).

[46] *See, e.g., Scarves by Vera, Inc. v. Todo Imports Ltd.*, 544 F.2d 1167 (2nd Cir. 1976).

[47] 15 U.S.C.A. § 1117, (1946, 1982, Supp. 1989).

[48] 808 F. Supp. 1288 (N.D. Tex. 1992).

[49] *Id.* at 1288.

The court in *Playoff* further refined the standard of review for a preliminary injunction and set out a four part test. In order to obtain extraordinary relief a plaintiff must show (1) that it is substantially likely to succeed on the merits of the claim, (2) that the Court's failure to issue the injunction poses a substantial threat of irreparable injury, (3) that the threatened injury outweighs any damage that the injunction's issuance might cause to opposing party, and (4) that the injunction's issuance will not undermine the public interest.[50] The court also noted that these elements are mixed questions of law and fact, and success turns on the plaintiff's burden of persuasion.

Assuming that the plaintiff has a protectable mark, in a Lanham Act claim, proving likelihood of confusion establishes both a likelihood of success on the merits and irreparable harm. Therefore, before focusing on the likelihood of confusion, courts determine whether the mark in dispute is protected by the Lanham Act.[51] In *Playoff*, the court concluded that the NFL marks had accrued secondary meaning and were protected.[52]

3. Likelihood of Confusion

Several courts have created tests to deal with the important issue of the likelihood of confusion. The primary focus is whether the defendant's use of the plaintiff's trademark would likely create confusion in the minds of potential buyers as to the source, affiliation or sponsorship of the parties' products. The majority of courts follow the test developed by Judge Friendly in *Polaroid Corp. v. Polarad Electronics Corp.*[53] In *Playoff*, the court used a modified version of the Polaroid seven factor test.

The *Polaroid* test considers: 1) the strength of the trademark at issue; 2) the similarity of design; 3) the similarity of product; 4) the identity of retail outlets and purchasers; 5) the identity of advertising media used; 6) the defendant's intent; and 7) the actual confusion. The court noted that in applying this test, no single factor is dispositive, but rather the Court should weigh each factor in the context of the others to determine if, on balance, a likelihood of confusion exists.[54]

In *Playoff*, the court concluded that the NFL marks were strong since they possessed secondary meaning. In viewing the similarity between the marks, the court stated that the marks should not be viewed in isolation, but must be viewed in their entirety. In *Playoff*, the plaintiff refused to grant licenses for either the NFL marks or for the names and likenesses to be used on the defendant's cards. Thereafter, the defendant changed its cards to include only the players for whom it had licenses, added disclaimers to the packaging, and removed team names. The defendant's cards did not depict players licensed by the plaintiff. The defendant admitted that the plaintiff's logos would be visible on some of the defendant's cards, and the court concluded that the designs were not only similar, they were the same.

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[50] *Id.* at 1291.

[51] *Id.* at 1291.

[52] *Id.* at 1291; the court reached this conclusion by quoting *National Football League Properties, Inc. v. Wichita Falls Sportswear, Inc.*, 532 F. Supp. 651, 658-659 (W.D. Wash. 1982).

[53] 287 F.2d 492 (2nd Cir. 1961), *cert. denied*, 368 U.S. 1820 (1961).

[54] *Id.* at 495.

The third factor looks at the similarity of the products. The court noted that the greater the similarity between the products and services, the greater the likelihood of confusion. Even though the defendant's football cards were somewhat unique, the court concluded that they were substantially similar to other football trading cards.

While considering the fourth factor, the *Playoff* court determined that the defendant and its competitors distributed through the same retail outlets, to the same purchasers, and in the same market. They also used the same advertising media, so the same potential purchasers were reached. This addresses the fifth factor of the *Polaroid* test.

The sixth factor considers the defendant's intent. The court concluded that the defendant's actions evidenced no intent to appropriate the plaintiff's marks or to capitalize on the plaintiff's goodwill. In fact, the court noted that since the defendant changed the appearance of the cards after the plaintiff denied him a license, the defendant minimized the use of the plaintiff's marks. Therefore, the court found that any use of the plaintiff's marks by the defendant was a fair or incidental use.

In analyzing the final factor, the court stated that the evidence of actual confusion is the best indicator of likelihood of confusion. However, the court found no actual confusion because the cards were not on the market. In other cases, courts accepted surveys of consumer perception of the products in dispute. This issue is not settled, and the determination of the likelihood of confusion depends on the circumstances of each case.[55]

4. Defenses in a Trademark Infringement Action

The analysis regarding likelihood of confusion is not complete without considering the possible defenses. The court in Playoff discussed several defenses available in a trademark infringement case.

a. Fair Use Defense

In *New Kids on the Block v. News America Publishing, Inc.*,[56] the court applied a three factor test to determine if the defendant had a fair use defense:

> 1) the product or service in question must be one not readily identifiable without use of the trademark; 2) only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and 3) the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the

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[55] *See, e.g., Universal City Studios v. T-Shirt Gallery, Ltd.*, 634 F. Supp. 1468, 1478 (S.D.N.Y. 1986); *W.W.W. Pharmaceutical v. Gillete Co.*, 808 F. Supp. 1013, 1024 (S.D.N.Y. 1992), *aff'd*, 984 F.2d 567 (2nd Cir. 1993).

[56] 971 F.2d 302 (9th Cir. 1992).

trademark holder.[57] Even though the court in *Playoff* recognized that the defendant could fulfill the *New Kids* test, the *Playoff* court refused to adopt the New Kids test because it should be used by an appellate court, not a trial court.[58]

b. First Amendment Defense

Although the court in *Playoff* recognized the argument by the defendant that the "newsworthiness of information on its cards"[59] merits some protection under the First Amendment, the court rejected the use of the plaintiff's trademark under the guise of First Amendment protection to be unreasonable, noting that "any broad First Amendment protection would swallow trademark infringement law in one gulp." Thus, the court balanced first amendment protection with the plaintiff's trademarks rights, to determine protection of noncommercial, newsworthy items. However, this protection does not extend to any acts by the defendant which would directly infringe on the plaintiff's marks. In *Playoff*, the court held that the defendant's cards were purely commercial in nature, and therefore, the defendant was not entitled to First Amendment protection.[60]

In *Playoff* the court noted that the plaintiff satisfied the first prong of the preliminary injunction analysis, the substantial likelihood of success on the merits, but noted that the plaintiff failed to show that it would suffer irreparable injuries if the court did not issue the injunction. On the contrary, the court recognized that the issuance of injunction would substantially harm the defendant. The court further determined that failure to issue an injunction would not offend public interest. Consequently, the court denied the plaintiff's motion for preliminary injunction.

c. Abandonment Defense

The registered trademark owner must use his mark continuously in order to retain ownership. Nonuse of a mark for two consecutive years will be prima facie evidence of an intent to abandon.[61] Therefore, the burden shifts to the trademark owner to explain nonuse or establish existence of intent to resume.[62]

In *Major League Baseball Properties Inc. v. Sed Non Olet Denarius Ltd.*,[63] the court held that the plaintiff abandoned its mark "Brooklyn Dodgers," and the defendant was allowed to use the mark "The Brooklyn Dodger Restaurants." The plaintiff stopped using the mark in 1957, when it moved from Brooklyn, New York to Los Angeles. Thereafter, the plaintiff used the mark sporadically at "oldtimers" games or at ceremonies honoring former players. The court concluded that merely

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[57] *Id.* at 308.

[58] *Supra* note 48, at 1293.

[59] *Supra* note 48, at 1293.

[60] *Supra* note 48, at 1294.

[61] § 45, 15 U.S.C.A. § 1127 (1988).

[62] *See, e.g., Lipton Industries, Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 1031 (C.C.P.A. 1982).

[63] 817 F. Supp. 1103 (S.D.N.Y. 1993).

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showing that abandonment was not intended was not enough. The plaintiff must have shown that it intended to use or resume use of the trademark.[64] The court concluded that the plaintiff failed to demonstrate its intent to resume commercial use of the "Brooklyn Dodgers" mark within two years after it left Brooklyn in 1957. The plaintiffs resumed using the mark in 1981 and licensed the mark to market merchandise such as T-shirts and other memorabilia. However, plaintiffs failed to register the mark and use the mark continuously. Subsequently, the defendant began using the mark in October, 1987.

The court noted that this issue is one of first impression in this circuit, but relied on other circuits to hold that "once plaintiffs abandoned the 'Brooklyn Dodgers' mark, they forfeited the right to exclude defendants from using the mark. Even though plaintiffs resumed use of the mark before defendants began using the mark, plaintiffs' abandonment critically alters their rights to the mark."[65] Once the court established prima facie abandonment, the burden shifted to the plaintiff to show there was an intent to resume use of the trademark.

d. Zone of Expansion Defense

The court noted that the plaintiffs' licensing the selling of merchandise under the mark "Brooklyn Dodgers" was much different than the defendant's restaurant business; therefore, there was less likelihood of confusion in the public's mind as to the source of the mark. The court relied on the holding in an earlier case which stated,

> [I]f the use of the marks by the registrant and the unauthorized user are confined to two sufficiently distinct and geographically separate markets, with no likelihood that the registrant will expand his use into defendant's market, so that no public confusion is possible, then the registrant is not entitled to enjoin the junior user's use of the mark.[66]

Since the plaintiffs did not present any evidence that would indicate an intent to enter into the restaurant market in Brooklyn, the court found in favor of the defendant's zone of expansion defense. Thus, the underlying factors behind the court's finding that there was no actual confusion in *Brooklyn Dodger* were 1) the lack of evidence that plaintiffs intended to resume use of the mark and 2) the lack of evidence to show that the plaintiffs were in the same line of business as defendants or had a bona fide intent to enter into defendants' line of business.

III. THE DOCTRINE OF RIGHT OF PUBLICITY

While trademarks protect one's use of a mark as distinctive identification in commerce, the doctrine of right of publicity protects against commercial misappropriation of one's name, likeness, or identity. As discussed earlier, courts have extended protection to nicknames under the tradename theory in misappropriation cases.[67] Prosser and Nimmer are credited with the development of the right of publicity doctrine.[68] Prosser defined the tort of right of privacy as intrusion, disclosure, false light, and appropriation. Prosser's definition of "appropriation" is an unpermitted use of one's name or picture for advertising or trade purposes. The definition closely resembles the current definition of "right of publicity." Prosser viewed "appropriation" as including both a commercial and a personal dignity. Note that Prosser did not split his fourth part into "appropriation privacy" (injury to dignity and feelings) and "right of publicity" (injury to commercial value).[69]

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[64] *Id.* at 1126-1127.

[65] *Id.* at 1132.

[66] *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 364 (2nd Cir. 1959).

A. Definition

The right of publicity is the right of a celebrity to control and profit from the use of his or her name,[70] likeness,[71] portrait,[72] performance,[73] biographical facts,[74] and symbolic representations.[75]

Even though early actions involving right of publicity were limited to name or likeness, the recent case law has clearly expanded the doctrine to include various other acts.

B. Governing Laws

Since the right of publicity evolved out of tort concepts, there is no federal protection applicable. A plaintiff can bring an action under state common law or state statutes. There is also some relation to tradename infringement and misappropriation theories under unfair competition. State right of publicity actions may be preempted by federal laws.

C. Case Law Analysis

1. *Origin of Right of Publicity*

Interestingly, the first case to use the doctrine of right of publicity involved sports figures.

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[67] Hirsch, *supra* note 38.

[68] McCarthy, *supra* note 7.

[69] McCarthy, *supra* note 3, at § 1.5, 1-18 to 1-26.

[70] For protection of names of celebrity, *see* Hirsch, *supra* note 38.

[71] Likeness to celebrities and photographs of celebrities are also protected under the right of publicity doctrine. *See* Haelan, *infra* note 79.

[72] *See, e.g., Ali v. Playgirl Inc.*, 447 F. Supp. 723 (S.D.N.Y. 1978).

[73] *See, e.g., Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562 (1977).

[74] *See, e.g., Uhlaender v. Hendricksen*, 316 F. Supp. 1277 (D. Minn. 1970).

[75] *See, e.g., White v. Samsung Electronics America Inc.*, 971 F.2d 1395 (9th Cir. 1992); *cert. denied*, 989 F.2d 1512 (9th Cir. 1993); petition for cert. filed, Apr. 9, 1993, No. 92-1629, 45 *Pat. Trademark & Copyright J.* (BNA) 513 (April 22, 1993); *cert. denied*, 113 S. Ct. 2443 (1993).

In *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*,[76] the court held that baseball players have the right to control their publicity rights, in addition to and independent of the right of privacy. In *Haelan Labs.*, the plaintiff, a gum manufacturer, had an exclusive license with a baseball player to use his photograph on its products. The player agreed not to grant any other gum manufacturer a similar right during the term of the contract. The defendant, also a gum manufacturer, knowing of the plaintiff's contract with the player, deliberately induced the player to authorize use of his photograph on its product. The trial court dismissed the case on the merits. In reversing the trial court's decision, the appellate court stated that "[a] man has a right in the publicity value of his photograph, i.e., the right to grant the exclusive privilege of publishing his picture. This right might be called a 'right of publicity.'"[77]

Even though the majority in Haelan was the first to recognize the right to publicity, in *O'Brien v. Pabst Sales Co.*,[78] the dissent recognized that the right of publicity should be differentiated from the right of privacy. In *O'Brien*, a famous football player sued the beer company for invading his right of privacy by publishing his photograph on a football calendar with beer advertisements. In rejecting the plaintiff's argument that the defendant used his photograph for commercial purposes, the majority held that a celebrity waives his or her privacy rights by becoming well-known, and thus had no right to prevent any type of commercial use of his identity.

2. *The Current Trend in Right of Publicity*

The current trend in right of publicity cases is to grant a broader property right than given under state laws. This view is reiterated in a recent case involving a television celebrity.[79]

In *White v. Samsung Electronics America, Inc.*,[80] the court held that a magazine depicting a mechanical robot resembling "Wheel of Fortune" hostess, Vanna White, may have violated White's right of publicity even though it did not use her name or likeness. In this case, the defendant placed a series of advertisements in several magazines. The advertisement was a promotion for its VCRs and depicted a robot, dressed in a wig, gown, and jewelry which the defendant consciously selected to resemble the plaintiff's hair and dress. Furthermore, the robot was posed next to a game board which was easily recognized as the "Wheel of Fortune" set. The plaintiff did not consent to the ad or receive any compensation.

The court used a four part test to determine whether plaintiff properly pleaded a common law right of publicity action. The test included (1) the defendant's use of the plaintiff's identity; (2) the appropriation of plaintiff's name or likeness to the defendant's advantage, commercially or otherwise; (3) lack of consent; and (4) resulting injury. The court noted that the district court dismissed the case because it failed the "name or likeness" prong of the test. However, the court of appeals held that the common law right is not confined to "name or likeness" and is much broader than the trial court held.[81]

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[76] 202 F.2d 866 (2nd Cir. 1953).

[77] *Id.* at 868.

[78] 124 F.2d 167 (5th Cir. 1941) *cert. denied*, 315 U.S. 823 (1942).

[79] *Supra* note 75.

[80] *Supra* note 75.

The court recognized the need for broader protection for celebrities. The court noted that "[a]dvertisers use celebrities to promote their products. The more popular the celebrity, the greater the visibility for the product. The identities of the most popular celebrities are not only the most attractive for advertisers, but also the easiest to evoke without resorting to obvious means such as name, likeness, or voice."[82] Thus, the court concluded that the defendant was at fault for using the robot which resembled the plaintiff, even though her name and voice were not used.

In a stinging dissent, Judge Kozinski stated that the majority contradicted the Copyright Act by refusing to recognize the parody exception to the right of publicity. In fact, the defendant not only parodied White, it parodied White appearing in the "Wheel of Fortune," a copyrighted TV show, and parodies of copyrighted works are governed by federal copyright law. The majority decision gives more control to the states in the matter of "identity" of celebrities, and any symbolic expression may now become actionable.

Additionally, the dissent noted that the intellectual property rights do not reach the level of constitutional rights, and do not enjoy absolute protection against all kinds of interference, subtle as well as blatant. The dissent further noted that giving White the power to keep others from evoking her image in the public's mind is a "speech restriction unparalleled in First Amendment law," even for commercial speech. However, the Supreme Court declined to hear the petition for writ of certiorari in spite of the fact that it involved critical issues of first amendment rights.[83]

IV. THE COPYRIGHT LAW

Copyright law gives federal protection under the Federal Copyright Act[84] for "original works of authorship" including literary, dramatic, musical, artistic, and certain other intellectual works. In the sports industry, copyright is important because it protects logos and other sports symbols from reproduction without proper authorization or licensing from the copyright owner. Additionally, pictures, sports events, and other expressions may be protected under the copyright act. Thus, copyright laws provide additional protection to sports names, symbols, and logos that may not be available under trademark laws.

A. Definition

Copyright may be defined as "any expression of ideas which have been fixed in a tangible form." However, to obtain protection under the Copyright Act, the idea must be copyrightable material.[85] Generally, words, phrases, and expressions that have limited uses are not copyrightable.[86]

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[81] 971 F.2d 1397 (9th Cir. 1992).

[82] 989 F.2d 1512 (9th Cir. 1993).

[83] 113 S. Ct. 2443 (1993).

[84] 17 U.S.C.A. §§ 1051-1128 (1976).

B. Federal vs. State Law

Prior to the Copyright Act of 1976, unpublished works of authorship were protected under state common law. A published work with a federal registration was given federal protection under the Copyright Act of 1909. Unlike the Federal Trademark Act, the Copyright Act of 1976 eliminated the dual control by state and federal laws and provides automatic federal protection as soon as the work of authorship is fixed in a tangible form. There are no cases in the sports industry which deal with the copyright issues, and, thus, the problems may not be as big as some commentators believe.

C. Dilemma Between Performers' Rights of Publicity and the Copyright Act of 1976

The Copyright Act of 1976, in hopes of removing the dual system of state and federal copyright laws, prescribed three conditions, all of which must be met, for a state law to be preempted. First, the state right in question must be equivalent to the one specified in Section 106 of the Copyright Act. Second, the right must be in a work of authorship that is fixed in a tangible medium of expression. Third, the work of authorship must be a copyrightable subject matter as specified in Sections 102 and 103 of the Copyright Act.[87]

Under the 1976 Copyright Act, a video tape of a baseball game is copyrightable. Thus, any unauthorized copying, reproduction, modification, or public performance of either an unedited or modified form of that tape would be in violation of the act.[88] Also, an athlete appearing in that tape has a common law right of publicity in his name, likeness, and other aspects of his person, including his performances. An athlete could assert his right of publicity to prevent others from using or appropriating his persona for commercial advantage, but the Copyright Act of 1976 would preempt the common law right of publicity.

This issue arose in *Baltimore Orioles v. Major League Baseball Players Association*.[89] Plaintiffs, the club owners, sought a declaratory judgment for the exclusive right to broadcast the games because they owned exclusive rights to the telecasts. Defendants, the players, counter-claimed that the game telecasts misappropriated their property rights in their names, pictures, and performances. The court held that the federal copyright law preempts the baseball players' state rights of publicity in game performances.

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[85] 17 U.S.C.A. § 102 (1976); this section lists seven broad categories which are deemed to be "works of authorship" and are copyrightable.

[86] *See, e.g.*, 17 U.S.C.A. § 102(b) (1976); recipes, measuring devices, rules, etc., are not copyrightable.

[87] 17 U.S.C.A. § 301(a) (1976); note that section 301 includes only the equivalent rights afforded under Copyright Act would preempt the state law. Section 301(b)(3) was introduced to allow certain nonequivalent rights that Copyright Act may not preempt and state laws can still provide protection.

[88] Copyright owners enjoy a bundle of rights, *see* 17 U.S.C.A. § 106, (1976).

[89] 805 F.2d 663 (7th Cir. 1986).

The immediate effect of this decision is that the players' benefit of the bargain would be seriously curtailed. The players were forced to stand behind the contracts they previously made, while the club owners profited from the players' popularity. The long-term effect of this decision is that professional performers will have no control over telecast revenues from live performances unless they can make agreements with the club owners or the owners of the copyrighted material. This could be accomplished by obtaining a limited ownership right to the copyrights of the tapes, or any fixed tangible forms of their performances, which would allow them to share the profits from future telecasts, video sales, etc.

V. CONCLUSION

An attempt has been made in this note to present various legal issues and theories that revolve around the intellectual property law pertaining to the protection of names, symbols, and logos. A further attempt has been made to relate these doctrines specifically to the sports industry. In many areas the concepts are not yet fully formulated, and consequently, the laws are constantly changing.

Although the case law based on trademark issues have set firm criteria, there are still unresolved controversies among trademark issues. In summary, the area of names, symbols, logos encompassing the sports industry is flourishing with an endless number of legal battles and presents a challenging and fascinating field for those interested in pursuing this area.

CONTRACT ISSUES FOR THE CAMPUS LAWYER: LICENSING PROGRAMS

NACUA Workshop
October 3, 1998

Paul J. Ward
Arizona State University
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I. Introduction — Brief History of Collegiate Licensing.

A. The manufacture of goods with collegiate indicia predates the administration of collegiate licensing programs. Colleges and universities ventured into the realm of trademark protection initially to prevent the unauthorized use of the institution's name and symbols by third parties and to prevent other institutions from adopting the same or similar names. See, e.g., John Roberts Mfg. Co. v. University of Notre Dame du Lac, 152 F.Supp. 269 (N.D. Ind. 1957), aff'd, 258 F.2d 256 (7th Cir. 1958); Cornell University v. Messing Bakeries, 138 N.Y.S.2d 280 (App.Div.), aff'd, 128 N.E.2d 421 (1955); Trustees of Columbia University v. Axenfield, 241 N.Y.S. 4 (N.Y.Sup.Ct.1930); and Colby College v. Colby Junior College for Women, 359 F.Supp. 571, 374 F.Supp 1141 (D. N.H. 1973).

B. UCLA, Ohio State, and USC are collectively recognized as the first institutions to establish collegiate licensing programs in the mid-1970's and to seek federal registration of their respective names and symbols. It is reported that there were 28 collegiate licensing programs in 1982 and over 200 programs by 1992. Today there are approximately 400 collegiate licensing programs. More than half of these are so-called agent managed programs with either the Collegiate Licensing Company (184) or the Licensing Resource Group (70) and the balance are independent, self-managed programs. The Association of Collegiate Licensing Administrators (ACLA) located at 638 Prospect Ave., Hartford, CT 06105-4250 (860.586.7524) has 163 institutional members not including associate members or manufacturer licensees.

II. Trademark Basics.

A. A trademark is a word, distinctive symbol, picture or slogan used in commerce to identify and distinguish a seller's product. The owner of the trademark has the exclusive right to use the mark and the right to prevent the use of a confusingly similar trademark. In general, there is no right to relief if there is no likelihood of confusion as to origin or sponsorship.

B. In the United States, trademark protection derives variously from federal law and/or a state's statutory and common law. Under the former, a registration with the United States Patent and Trademark Office is required. [15 U.S.C. §§1051-1127.] Under common law, registration is not required and trademarks are established through adoption and use of a mark and are protected as part of the law of unfair competition. While marks may be registered at the state level, a state registration normally cannot defeat a federal registration.

1. The term of a federally registered trademark is 10 years and it can be renewed for a like term so long as the mark remains in use. Also, during the 5th year of registration the owner must file an affidavit that the mark is still being used in interstate commerce. In appropriate circumstances, then, the trademark registration can last forever.

2. Federal trademark registration establishes the benefit of nationwide constructive notice of use and a right of priority over subsequent users and filers.

3. The certificate of federal registration creates a legal presumption of validity and of the registrant's right to exclusive use of the mark. The owner may receive treble damages in a successful trademark infringement action.

4. By recording the registration with the U.S. Customs Service goods bearing a mark which infringes on a registered trademark may be excluded from the United States.

5. Federally registered trademarks bear the symbol ®; prior to registration the proper notice to the public is "TM" for goods and "SM" for services.

C. Following registration, trademark rights are protected by maintenance, watching, and enforcement. A briefing paper of the ASU Office of General Counsel, "Collegiate Trademark Licensing: The Basic Rules of the Game", which appears on our OGC web page is attached to this outline as Exhibit A. The failure to prosecute known infringers of a mark may result in a determination that the owner has abandoned this trademark. A sample cease and desist letter to an adverse user is attached as Exhibit B. This form is edited depending upon whether or not we would license such use and other factors such as alumni status.

III. Reasons for Establishing a Trademark Licensing Program.

A. The 3 P's of collegiate licensing are protection, promotion, and profit.

1. Protection. Both the owner of the mark and the consumer have an interest in protection. The owner's interests are to prevent any unauthorized use such as obscene or other uses deemed inappropriate by the institution and to require that users of institution's marks accept a royalty-bearing license as a condition of such use. The consumer's interest is to be able to recognize quality goods free from defects. By insisting on certain standards of quality in its licensees the institution may reduce its exposure to liability claims.

2. Promotion. Colleges and universities have utilized a wide variety of goods to market the identity of the institution from clothing to paper products and foodstuffs. The objective is to generate as many positive visual impressions of the institution as possible.

3 Profit. The retail value of goods bearing collegiate symbols which are subject to some form of licensing program is currently estimated at 2.2 billion dollars. This means approximately 80-90 million dollars is being generated annually as trademark licensing revenue at these colleges and universities. Such trademark royalties are generally directed to support scholarships and fellowships, athletic programs, and wide variety of other institutional programs. While some programs generate in excess of $1 million annually, Arizona State University has averaged $425,000 over the past two years.

IV. Recent Developments.

A. Litigation.

1. The Trustees of Columbia University v. Columbia/HCA Healthcare Corporation, 964 F.Supp. 733 (S.D. N.Y. 1997). The University brought this trademark infringement action against a health services provider. Although the University's trademark, "Columbia", was a valid, legally protectable mark, the defendant health care service provider's use of a similar mark was not likely to create confusion to support an infringement claim — notwithstanding the fact that Columbia University was found to be a leading research and teaching university in a wide variety of intellectual and professional disciplines, including medicine.

2. Illinois High School Association v. GTE Vantage, Inc., 99 F.3d 244 (7th Cir. 1996). The plaintiff high school association brought a trademark infringement action against a licensee of the National Collegiate Athletic Association for the "March Madness" mark. The U.S. Court of Appeals held that the high school association's trademark rights (which dated back to the 1940's) in connection with a high school basketball tournament did not extend to the NCAA's Final Four championship tournament and merchandise sold in connection with same.

3. Dream Team Collectables, Inc. v. NBA Properties, Inc. and USA Basketball, Inc., 958 F.Supp. 1401 (E.D. Mo. 1997). The plaintiff began using the "Dream Team" mark on collages of sports trading cards in 1986 and filed an application for federal registration of the mark in 1990. This action was brought for trademark infringement, unfair competition, false advertising and dilution as a result of the use of the mark in connection with the 1992 and 1996 Olympics and the 1994 World Championship of Basketball. The U.S. District Court held, in pertinent part, that the Plaintiff's claim of reverse confusion was actionable.

4. Rock and Roll Hall of Fame and Museum, Inc. v. Gentile Productions, 134 F.3d 749 (6th Cir. 1998). A nontraditional format for trademark protection is distinctive building design. In this matter the plaintiff challenged the sale of a poster by Charles Gentile which incorporated the registered service mark "The Rock and Roll Hall of Fame" on a picture of the Hall of Fame building. Vacating a preliminary injunction granted to the plaintiff, the 6th Circuit Court of Appeals (in a 2-1 decision) held that the plaintiff had not proved a strong likelihood of success on its trademark infringement claims. Moreover, the court also suggested that the use of the name of the building "may very well constitute a fair use of the Museum's registered service mark," pursuant to the Lanham Act.

B. Code of Conduct.

1. The issue of a university's social responsibility regarding the use of collegiate indicia on foreign-made apparel and equipment produced by forced labor, indentured labor, or prisoners has become a national movement.

2. Duke University announced its Code of Conduct for Duke University Licensees on March 9, 1998. Among other standards, Duke's licensees must ensure that their contractors operate work places with appropriate employment standards, environmental compliance and ethical principles. (See Exhibit C)

    a. The employment standards address, among other things, child labor, forced labor, working hours, wages and benefits, health and safety, nondiscrimination, and harassment and abuse.

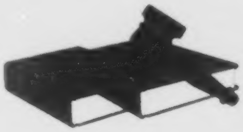
    b. Methods of internal and external monitoring for the purpose of verification of compliance with the code are in the process of being developed.

3. The University of California promulgated its Code of Conduct for Trademark Licensees for goods produced with UC logos on August 3, 1998. Patterned on the Duke code the UC policy is effective immediately, although it contemplates subsequent-developed standards by a national higher education organization or otherwise.(See Exhibit D)

4. Congressman George Miller of the 7th district of California sponsored an amendment to the Reauthorization of the Higher Education Act expressing the sense of Congress that colleges and universities should adopt education merchandise codes of conduct. (See Exhibit E)

Selected Bibliography. (See Exhibit F)

ASU Arizona State University
Office of General Counsel



COLLEGIATE TRADEMARK LICENSING:
The Basic Rules of the Game

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In recent years, as the popularity of collegiate sports has increased, so, too, has the demand for officially licensed university memorabilia. Officially licensed products earn billions in revenue for American universities each year.[1]

In response to the growing popularity of college athletics, many universities have initiated trademark licensing programs to ensure control over their names and marks, and to ensure that those marks are associated with quality goods and services. As the earnings reports indicate, the rewards from a successful licensing program can be great. However, establishing a successful program requires careful planning, implementation and management. A university has a significant interest in protecting its name and public reputation. In order to facilitate successful licensing, and to avoid awkward situations, the employees of a University should become familiar with the fundamentals of trademark and licensing law. In particular, they should become aware of certain measures that every university should take to protect that its trademarks.

Trademark Law

1. Definition of Trademarks

Trademarks and service marks are the means by which the providers of goods and services identify and distinguish their goods and services from those provided by others. For example, consumers have come to associate the golden arches design with McDonald's restaurants.

But a trademark or service mark does more than just identify the origin of goods or services. It conveys to consumers the quality and desirability of the product or service bearing that mark. Because trademarks and service marks are repeatedly seen by customers, they come to symbolize all of the things that an institution is trying to convey to the public about its products or services. A trademark or service mark encourages customers to continue to purchase the marked products and services because of past favorable experiences associated with those products and services.
Thus, the value of a trademark or service mark rests in its ability to promote customer loyalty and

goodwill. This makes trademarks and service marks of particular value to colleges and universities, which have strong interests in enhancing their reputation among their communities, as well as in generating revenue for their scholastic and athletic programs.

2. Types of Trademarks

A trademark or service mark may be a word, symbol, device, or a combination thereof. Since the law recognizes that colleges and universities have a protectible property interest in their name and emblems, these symbols can function as trademarks and service marks. Words such as "Arizona State University" or symbols like the distinctive ASU "Sparky" Sun Devil are examples of trademarks in the context of collegiate sports.

Although many university symbols traditionally are associated with athletic programs, the use of these symbols is not limited to sports memorabilia. A university's name or logo can be affixed to a virtually unlimited list of products. The most traditional goods to which University marks are affixed are T-shirts, cup and mugs, pencils and calendars. But in recent years, this list has expanded to many less conventional promotional items, such as stuffed animals, dolls, aprons, lamp shades, and telephones.

University symbols can also be used as service marks to identify first and foremost the educational services provided by the University, as well as its sponsorship of many kinds of promotional events, from charitable fundraisers to college football games.

Trademark Licensing

1. The License Agreement

A trademark license agreement is the heart of any merchandising program, because it delineates the relationship between the owner of a trademark (the licensor) and the producer of the goods or services to which the mark is to be affixed (the licensee).[2] Through a trademark license, the licensor, such as a university, grants to the licensee the right to affix certain products or services with the licensor's mark; in return, the licensor receives some sort of monetary compensation, generally in the form of a royalty payment.

The license itself may be either written or verbal, but as with any formal agreement, it is in the trademark owner's best interest to put the license in writing. Verbal agreements are much more likely to have missing terms, and to lead later to a swearing match as to what each party really intended. It is important that the agreement clearly define the rights and responsibilities of the parties, so that any future disagreements can be quickly and efficiently resolved.

A written license agreement with well thought out terms can also help avoid disputes over whether or not the license was intended to be exclusive in any regard. For example, an exclusive license may be granted as to "sportswear" may or may not be intended to cover headwear. Putting things down on paper tends to force parties to focus on what each intends.

2. Reasons For Licensing

There are many reasons for a university to license its trademarks. A university, particularly a large university, may enjoy public recognition as an advanced institution of higher learning, research, and athletics. That reputation, in turn, fosters a demand among consumers for products bearing the university's name or logo. Licensing programs serve to protect and strengthen a university's reputation by ensuring that its marks appear only on quality products and in connection with approved events.

Moreover, as government funding of academic institutions continues to decline, collegiate licensing programs provide a university with a growing source of supplemental income - income that can be used to fund the institution's academic and athletic programs. That income can come from unlikely places--many universities find that goods bearing their marks generate substantial revenues in certain foreign countries.

With the advent of the Internet, the trade symbols used in each country are more likely than ever to be seen in other countries. This is likely to add to consumer demand for certain marked products.

Establishing a Successful Trademark Licensing Program

Trademark licenses are essentially transfers of property rights, and therefore must be accomplished with great care. A licensor must have the ability to control which products or events are identified with its marks. Without that control, a trademark can lose the goodwill associated with it, and be considered "abandoned."

Every licensing agreement should be tailored to meet the particular needs and responsibilities anticipated by each licensing arrangement. However, there are certain provisions that should be universal to every agreement. The following discussion examines four of the more critical elements of any licensing program: quality control, preventing infringement, keeping records, and termination.

1. The Importance of Quality Control

The success of any licensing arrangement relies on the licensor's ability to control the nature and quality of the goods or services bearing its name or emblem. The value of a trademark depends upon the goodwill it fosters in consumers, who associate that mark with the quality of the service or product it identifies. If the licensor does not exercise control over the manner in which the mark is used, then the value of the mark as an indicator of quality is lost.

A significant part of trademark control can be achieved by carefully drafting the license agreement to protect the university's interests. The agreement should require the licensee to provide the university with representative samples of all licensed products for approval prior to their sale or distribution. In addition, the university should be allowed to inspect the licensee's facilities on a regular basis. Finally, the university should retain the right to approve of all artwork developed by the licensee.

Of course, contractual provisions alone will not guarantee that a university's marks are being used only with quality merchandise - the university itself must take affirmative steps to exert direct control over the licensee. In part, this means sticking to the provisions in the licensing agreement: conducting regular inspections, and requiring written confirmation that quality control procedures have been implemented. Exerting control can also entail additional activities such as providing the licensee with guidelines for the proper use of the mark, and conducting periodic checks of the marketplace. Visiting retailers, for example, can help to ensure that the university's name and logos are being used on the appropriate products with approved designs.

These and other general tips for developing a quality control program are summarized in Table 1.

2. Preventing Unauthorized Use of Trademarks

The most common way in which rights to a trademark or service mark can be lost is by failing to prevent use of the mark by unauthorized parties.[3] Such unauthorized use is a form of trademark infringement. Allowing infringement to continue can mean not only the loss of control over the trademark, but a loss of income as well. Manufacturers will be unwilling to pay royalties to a university if that university allows others to use the mark for free.[4]

There are several steps a university can take to protect itself against unauthorized use. As suggested above, a university should conduct market checks to detect unauthorized use of its trademarks. A university should enlist the assistance of its licensees as well; a licensing agreement may obligate a licensee to provide the university with written notice of any infringement it encounters in the marketplace.

Once it discovers evidence of unauthorized use, a university's course of action should depend upon the extent of the infringement, and the threat it represents to the institution's licensing program. With first-time infringement, it may be in the university's best interest, subject to the reputation of the infringer and the circumstances of the infringement, to give some infringers the opportunity to take a license with the university. Some first-time infringers may have innocently used the university's mark, and if the infringer can provide a quality product, the university will gain a new licensee for its merchandising program.[5]

Continued unauthorized use of a university's trademarks, however, may warrant a different approach. Cease and desist letters or even litigation may become necessary to prevent further harm. Of course, if a dispute with an infringer reaches this stage, a university should seek assistance of legal counsel.

3. Keeping Records

It is important for a university to keep accurate records of its correspondence with its licensees. If a licensee has failed to comply with the terms of the license, all efforts by the university to obtain compliance should be documented.

Record keeping is also important within the context of infringement, as discussed above. All correspondence with infringers, including initial contacts and demand letters, should be kept on file by the university. If further action or litigation becomes necessary, this documentation will provide proof that the university has consistently tried to stop the infringement, and has not abandoned its marks.

4. Terminating a Licensing Agreement

Because a university must maintain quality control standards, it is important for the university to be able to cancel the licensing agreement due to the licensee's nonperformance. The license agreement should contain a revocation provision, granting to the university the right to terminate the agreement after reasonable notice (usually 30 to 60 days).

This provision should also make it clear that the licensee's rights to use the marks cease upon termination of the agreement. The licensee should be required to report to the university its inventory of merchandise. Generally, licensing agreements permit licensees to sell their remaining inventory for a brief period after termination; however, the agreement should require them to return or destroy any unsold merchandise after this period has ended.

Conclusion

The continued popularity of college athletics, along with an increasing number of potential licensors and licensees, should ensure the expansion of collegiate trademark licensing in the years to come. Revenue and enhanced reputation are just two of the benefits to universities entering into licensing programs. However, these benefits can take time to accrue, and a university runs the risk of losing its rights in its marks along the way. A carefully constructed licensing program, and active control over the use of its marks, are a university's best means of avoiding the pitfalls and reaping fully the many rewards of trademark licensing.

QUALITY CONTROL MEASURES
Table I

1. Require inspection of product samples prior to sale or distribution.
2. Provide licensee with guidelines regarding the appropriate use of the mark.
3. Regularly inspect the licensed products against a prototype of an acceptable quality, or, where feasible, arrange for inspection of the licensee's production facilities to ensure that the products meet quality standards.
4. Require licensee to obtain written approval before it uses any newly developed designs or artwork in connection with the trademarks.
5. Visit retail outlets and on-the-fringe markets (e.g., swap meets) to detect any unauthorized use of marks.

Endnotes

1. For example, in 1995 alone, officially licensed products earned over 2.5 billion in revenue for American Universities. Michael Hiestand, *College Merchandise Sales Near Head of Class*, USA TODAY, July 25, 1995, at 3C.]

2. Gregory J. Battersby, *Merchandising License Agreements Explained*, 418 PLI/PAT 7 (1995).]

3. Jack Revoyr, *A Practical Guide to Collegiate Trademark Licensing (Part 1)*, 8 LICENSING LAW AND BUSINESS REPORT 3, 29.]

4. *See* Revoyr, *supra* note 3.]

5. *See* Revoyr, *supra* note 3, at 30.]

**This article was contributed to the ASU Office of General Counsel Briefing Series by Glenn Bacal, the Head of the Intellectual Property Section of the Phoenix Office of Quarles & Brady. Mr. Bacal represents ASU on trademark and related matters.*

Cathryn Sadler is a second-year law student at Arizona State University's Law School. She co-authored this article while a summer clerk at Quarles & Brady.

Exhibit F

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Exhibit B

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Infringing Company (but one we may want to license)

Attention: CEO

Re: Use of University Marks

Dear CEO:

We have recently become aware of the use by Infringing Company of the federally registered service marks of Arizona State University as shown on the attached copy. All use of the University's marks in the advertising or sale of products or services requires the express written consent of the University through its Trademark Licensing Coordinator or through an authorized agent of the university such as The Licensing Resource Group. Please immediately stop all unauthorized use of these marks.

If you wish to receive information about licensing alternatives for authorized use of the marks, please contact the University's Trademark Licensing Coordinator at (602) 965-5499. Thank you for your consideration.

Sincerely,

Associate General Counsel

Enclosure

c: Trademark Licensing Coordinator

IOWA STATE UNIVERSITY
TRADEMARK MANAGEMENT POLICY

1. INTRODUCTION

Iowa State University benefits from public recognition of its names, symbols, logos and other identifying marks (Marks). If properly used and managed, these Marks give a unifying look which is critical to establishing a visual presence within the world of university communities. This look becomes identified with the quality of Iowa State's programs, products and services and distinguishes its programs from other universities.

With students, alumni, and friends of Iowa State residing around the world, a demand exists for the use of the University's Marks. Although a desire to associate with the University may come from a genuine spirit of support, it is in the University's best interest to protect and control the use of the Marks.

The University's rights to its Marks are governed by federal, state, and common laws. These laws place an obligation on the University to control its Marks to avoid misrepresentation of the University's relationship to a product or service. Without proper control, the University risks losing its exclusive rights to its Marks. Licensing others to use the Marks and monitoring their use provides the needed control.

The University has delegated the management of its Marks to the Iowa State University Research Foundation, Inc. (ISURF). This policy sets forth the basis of ISURF's management of the University's Marks. The term University includes the University, its affiliated organizations, and organizations formally registered with the University.

2. GOALS

The five main goals of this management policy are:

- To promote and protect Iowa State University through implementation of a management system which establishes the means for consistent, favorable, and professional use of the Marks;
- To fulfill the legal obligation to protect the Marks;
- To protect the consumer from deception or from faulty or inferior products and services bearing the University's Marks;
- To provide fair and equitable treatment of all licensees; and
- To realize and distribute earned royalties and other revenues for the benefit of the University.

3. MANAGEMENT

A. Legal protection and enforcement of the University's rights in the Marks is under ISURF's management.

B. External Use of the Marks by external entities is managed by ISURF with the following principles:

(1) Licensing is required for all non-University users.
  a. the Marks must be licensed to the user and the use approved by ISURF, except when the use:
    - is by the news media for news reporting;
    - is by an artist in an original work of art which will not be reproduced; or
    - is a congratulatory or supportive advertising message using the University's names but not its logos and symbols. For example, "Go Cyclones" or "Welcome Back ISU Students" are supportive types of messages.
  b. suppliers of products to the University bearing any Mark must be licensed except when Marks are used on the following products:
    - printed publications and advertising for purposes of institutional and event promotion; and
    - printed supplies, not for resale.

(2) Royalties are collected for non-university and/or commercial uses. A royalty exemption (but not a license exemption) may be granted for:

- a product purchased by the University or a University recognized support group such as professional associations, employee organizations, athletic, cultural, and other interest groups for internal consumption or for sale at cost to their members. Promotional products given away by these groups are considered products for internal consumption. If the group has excess product after consumption or sale within its group, it can not be sold to non-members, but can be given away to non-members.

- selected school supplies which would be considered products purchased by students for course work.

- advertising rights to use the Marks as granted in corporate sponsor agreements.

- fundraising activities by nonprofit or charitable organizations.

(3) Licenses are generally non-exclusive except for special programs initiated by the University.

The ISURF's Licensing Program Guidelines for the Use of Iowa State University Marks provides the management details.

C. Use of the Marks by entities internal to the University is managed by the University executive officers including the President, the Provost, Vice Provosts, Vice Presidents, Deans, Directors, and affiliated organization Directors.

(1) Internal uses which fall within the ordinary business of the University do not require licensing. Products created by a University unit for resale, and bearing the Marks must be licensed, except for educational and scholarly materials owned by the University and printed publications and advertising for purposes of institutional and event promotion.

(2) Royalties are not payable on internal uses which do not require licensing.

The Guidelines for the Internal Use of Iowa State University's Marks provides the management details.

D. The University President appoints a Trademark Advisory Committee to assist ISURF in addressing issues related to the management of the University Marks. The advisory committee consists of representatives from University units which may provide a unique perspective and which are key stakeholders in the use of the Marks.

E. Net revenues are distributed to University units under a policy determined by the University President. Distribution is approved by the ISURF Board of Directors.

OFFICIALLY LICENSED
PRODUCT OF THE
UNIVERSITY OF
NOTRE DAME.

Code of Conduct for Licensees

Licensing Department
University of Notre Dame

I. Introduction: The University of Notre Dame du Lac ("Notre Dame") is committed to conducting its business affairs in a socially responsible manner consistent with its religious and educational mission. Notre Dame expects nothing less of its business partners and licensees. Therefore, Notre Dame will not do business with those who engage in business practices or follow work place standards inconsistent with this Code of Conduct.

II. Application: This Code of Conduct shall apply to all Licensees of Notre Dame. Throughout this Code, the term "Licensee" shall include all persons or entities who have entered a written License Agreement with Notre Dame, as well as their respective contractors, subcontractors, vendors, manufacturers, sub-licensees and any related entities throughout the world which produce or sell products or materials incorporated in products which bear the name, trademarks or image of the University of Notre Dame du Lac. This Code of Conduct constitutes a "Guideline for Notre Dame Licensees" pursuant to Paragraph 13 of Notre Dame's standard License Agreement and is thereby applicable and mandatory with respect to each Licensee of Notre Dame.

As a condition of being permitted to produce and/or sell licensed products bearing the name, trademarks, and/or images of Notre Dame, each Licensee must comply with this Code of Conduct. If the University of Notre Dame, in its sole discretion, determines that any Licensee has failed to comply with this Code, then the University may either terminate its business relationship and License Agreement with the Licensee or require that the Licensee implement a corrective action plan on terms acceptable to Notre Dame.

III. Work Place Standards and Practices: Specifically, Notre Dame Licensees must operate work places and contract with employers whose work places adhere to the following minimum standards and practices:

A. Legal Compliance: Notre Dame Licensees must comply with all applicable legal requirements in conducting business related to or involving the production or sale of products or materials bearing the name, trademark or images of Notre Dame.

B. Environmental Compliance: Notre Dame Licensees must share Notre Dame's commitment to the protection and preservation of the global environment and the world's finite resources and conduct business accordingly.

C. Ethical Principals: Notre Dame Licensees must be committed in the conduct of their business to a set of ethical standards which are not incompatible with those of Notre Dame. These include but are by no means limited to honesty, integrity, trustworthiness, and respect for the unique intrinsic value of each human being.

D. Employment Standards: Notre Dame will only do business with Licensees whose workers are in all cases present at work voluntarily, not at risk of physical harm, fairly compensated and not exploted in any way. In addition, the following specific guidelines must be followed:

1. **Wages and Benefits:** Licensees must provide wages and benefits which comply with all appicable laws and regulations and match or exceed the prevailing local manufacturingindustry practices.

2. **Working Hours:** Licensees must not exceed prevailing local work hours in the country where the work is to be performed, except with respect to appropriately compensated overtime. In any event, Licensees must not require in excess of a sixty-hour week on a reguarly scheduled basis.

3. **Child Labor:** The use of child labor is not permissible and will not be tolerated. Workers can be no less than 14 years of age and not younger than the compulsory age to be in school in the country where the work is to be performed.

4. **Prison or Forced Labor:** The use of forced labor and prison labor is not permissible and willnot be tolerated. Labor supplied by prisoners working within the United States pursuant to a lawfully authorized work program sponsored by the United States government or a government of one of the 50 states shall only be permissible if the Licensee obtainsNotre Dame's prior written consent.

5. **Health and Safety:** Licensees must provide workers with a safe and healthy work environment. If residential facilities are provided to workers, they must be safe and healthy facilities

6. **Discrimination:** While Notre Dame recognizes and respects cultural differences, all workers must be employed on the basis of their ability to do the job, rather than on personal characteristics. We insist upon doing business only with Licensees who sharethis value.

7. **Disciplinary Practices:** Licensees must not use or tolerate corporal punishment or any other form or psychological or physical coercion.

8. **Human Rights:** Products and materials bearing the name, trademarks, or images of Notre Dame shall not be manufactured or produced in any country where the human rights environment, as determined by Notre Dame, in its sole discretion, would prevent the conduct of business activities in a manner that is consistent with this Code of Conduct.

9. **Legal System:** Products and materials bearing the name, trademarks or images of Notre Dame shall not be manufactured or produced in any country where the local legal system would prevent Notre Dame, in its sole discretion, from adequately protecting its name, trademarks, images or other interests or from implementing any provision of this Code of Conduct.

10. **Political, Economic and Social Environment:** Products and materials bearing the name, trademarks or images of Notre Dame shall not be manufactured or produced in any country with the political, social or economic environment that would threaten Notre Dame's reputation and/or commercial or other interests.

IV. Documentation and Inspections. It shall be the responsibility of each Notre Dame Licensee to ensure its compliance with this Code of Conduct and to verify that its business partners, subcontractors and others involved in the production or manufacture of products or materials bearing the name, trademarks or images of Notre Dame are in compliance with this Code of Conduct. Each Notre Dame Licensee shall maintain on file such documentation as may be needed to demonstrate its compliance with this Code of Conduct and shall make the documentation available for Notre Dame's inspection upon request.

INDIANA UNIVERSITY
ADMINISTRATIVE POLICY STATEMENT
LICENSING AND TRADEMARKS

Summary

Indiana University (IU) owns and controls its names(s) and other marks, logos, insignias, seal, designs, or symbols that have become associated with the University or any of its campuses. Examples of IU's trademarks are IU, the interlocking block IU, the athletic teams' name, "Hoosiers," the University seal, the University coat of arms, the slogan "Go Big Red," the name, "Indiana University" and the abbreviated, "Indiana."

The primary purpose of the Indiana University licensing program is to protect the integrity of the University's name and identifying marks. The licensing program also serves Indiana University by: (1) stimulating public awareness and support; (2) ensuring that the products bearing IU's marks are of good quality; (3) ensuring that each licensed use reflects positively on the University; and (4) generating revenues for student scholarships and activities.

The purpose of this policy statement is to provide guidance on permissible use, as well as restrictions on the use, of the University's names and trademarks including campus-specific marks, and to clarify responsibility for granting the permissions and licenses required.

Any individual, organization, or company wishing to use Indiana University's trademarks must obtain the right to do so from the University. All commercial use of Indiana University's trademarks must be licensed and shall be regulated by the Indiana University Office of Licensing and Trademarks which reports to the University Director of Purchasing.

Exceptions to policy may be granted only through the Office of Licensing and Trademarks.

Definitions

Trademark means a name or symbol or combination of both which identifies the source of a product or service. In the case of licensed goods, a trademark indicates affiliation or sponsor rather than producer. In practice, a trademark also enhances the desirability of a product and, when properly controlled, can increase the value of the product as well as the goodwill inherent in the mark.

For the purposes of this document, "trademark" is used to indicate any or all of the following: trademark, trade name, service mark, logo, insignia, Indicia, emblem, symbol, identifying mark, mark, and name.

Registered Trademark means a trademark that has been registered with the Federal government at the US Patent and Trademark Office. Federal registration provides additional protection against and remedies for trademark infringement.

Infringement means unauthorized use of a trademark that belongs to another, or use of a trademark so similar to that of another as to cause the likelihood of confusion in the minds of the public as to the source (affiliation or sponsorship) of the product or service.

Licensor means one who contracts to allow another (licensee) to use licensor's property (trademark) in exchange for payment, usually royalty as a percent of sales.

Standard License means royalty bearing, two-year contract between licensor (IU) and a manufacturer who is licensed to produce specific products bearing one or more of licensor's trademarks.

Advertising License means a limited-term contract between licensor and a company, organization, or individual in which permission is granted to use one or more of licensor's trademarks or facilities in the advertising of licensee's products or services.

Promotional License means a limited-term contract between licensor and company, organization, or individual in which permission is granted to use one or more of licensor's trademarks in the promotion of licensee's products or services. Contract may include permission to use premiums in the promotional campaign.

Premium means a licensed article given free or sold at less than usual selling price for the purpose of increasing the sale of or publicizing any other product or service.

Licensing Requirements

A license is required for any individual, organization, or company wishing to use Indiana University's name or trademark(s) for a commercial venture. Included are: manufacturers who wish to use IU's name or logo on products (including premiums); manufacturers, retailers, or service providers who wish to promote their product or service by offering a premium bearing the University's trademarks; and those wishing to use IU's trademarks and/or facilities in conjunction with advertising a product or service.

Permission is required for any individual, organization, or company wishing to use Indiana University's name or trademark(s) in a non-commercial manner.

The trademarks of Indiana University may not be incorporated into the name or mark of any outside agency.

A license is not required for advertisements promoting the sale of licensed products. Such advertisements, however, shall not imply any relationship other than that of licensor/licensee and should include the Collegiate Licensed Product label which identifies officially licensed goods.

Merchants may be allowed to use the University's marks excluding the University seal and coat of arms in newspaper advertisements that welcome or congratulate students provided the copy does not contain either an implied or explicit endorsement connecting the University with the advertiser, its products, or its services. Also, there must be no violation of NCAA regulations.

Licensees must obtain approval for each use of the trademark(s) on a per product, per design basis.

University-Affiliated Organizations

University-affiliated organizations, including the Indiana University Foundation, the Indiana University Alumni Association, and the Indiana University Credit Union, have approval to incorporate the name of the University into their own name. The regulation of those names is not a part of this policy statement.

University-affiliated organizations may not assign, sublicense, or modify the name "Indiana University" or marks of the University including the interlocking block IU used by the Credit Union.

The names and reputations of Indiana University and University-affiliated agencies are closely associated. Therefore, it is essential that, where possible, the University and affiliated agencies maintain similar policies. All University and University-affiliated retail sales of Indiana University trademarked products are regulated by the licensing program, and University affiliates are encouraged to support licensees of the University for the purchase of goods bearing their own marks.

Unacceptable Products/Services

Indiana University will not license the use of its name or marks to promote the following products: alcohol, tobacco, controlled substances, sexually oriented products, religious products, or games of chance.

In addition, the University will not approve the use of its name or marks with text or graphics which are judged to be sexually suggestive; denigrate any group, including another college or university; or infringe on the rights of other trademark owners. The University will not license products which do not meet minimum standards of quality and/or good taste or are judged to be dangerous and/or carry high product liability risks.

No use of the University's marks that would be disapproved under a standard license will be approved for a promotional or an advertising license.

Advertising in Publications

Indiana University and University-affiliated organizations that accept commercial advertising for their publications and programs will screen all advertisers for compliance with the University's licensing program. Advertising from unlicensed manufacturers of trademarked products or advertisements using IU's marks without a license will not be accepted for publication.

Awareness/Compliance

The Office of Licensing and Trademarks will initiate and maintain an awareness program directed toward various segments of the public, including students, faculty and staff, alumni, and the general public.

The Office of Licensing and Trademarks will initiate and maintain an awareness/compliance program for retail establishments.

The Office of Licensing and Trademarks will initiate and maintain an awareness/compliance/ enforcement program for manufacturers, including regular compliance audits of licensees.

Uses contrary to policy will be investigated, and the restrictions set forth will be enforced by all reasonable and legal means including legal action if necessary.

Royalty Exemptions

Royalty exemptions will be granted for:

- Goods purchased by the University for internal consumption (use by University faculty, staff, students) will be exempted from royalties. Examples are: athletic uniforms, binders for inter- or intradepartmental use, recognition pins and plaques, calendars and schedules of events, containers, napkins, photographs, and works of art.
- Goods manufactured or purchased by the University promote the University and its programs. Examples include student recruitment materials, fund-raising items, advertisement of University programs, and notices of special events.
- Student organization bona fide fund raisers that have been approved through the Office of the Dean of Students.

Royalty exemptions will not be granted for:

- Goods purchased by the University, University affiliates, University bookstores or gift/concession centers for resale;
- Student groups selling to the general public, or students engaged in business for personal profit while making a nominal contribution to a student organization for the purpose of gaining either the exempt status or the privilege of selling on campus;
- Goods purchased by the University for external use (end user is not a member of the University faculty, staff, or student body) when the cost of the product is passed to the consumer through fees or contributions.
- All purchases of merchandise bearing Indiana University's name or trademarks, regardless of whether or not the purchase is subject to royalty, will be from licensed manufacturers.

Royalties and Fees

The University will assess royalties on net, wholesale sales; other fees include an administrative application processing fee and a reinstatement fee for licensees canceled for cause.

A royalty will be charged for promotional or advertising licenses.

Disbursements

Royalties generated by the Licensing and Trademarks program less expenses and operating costs will be transferred to the University scholarships program for distribution to all Indiana University campuses and to the University's athletic program.

VI. SOFTWARE

1. "Three Ways to Protect Computer Software," by Carey Ramos and David Berlin

Computer Software

Three Ways to Protect Computer Software

By Carey R. Ramos and David S. Berlin

In this article, we aim to accomplish two things. First, we will provide an overview of the three primary forms of protection for computer software under current law. Second, we will address the practical question of how attorneys should counsel software developers and proprietors in determining how best to protect their intellectual property interests in software.

Computer software may be protected by copyright, patent and trade secret law. These forms of protection differ in important respects; each has particular strengths and weaknesses. None is all-purpose: each is better suited to certain kinds of software—or elements of software—than others. Although some have advocated creation of a new, distinct form of legal protection for computer software, such an approach has not acquired broad support.[1]

Background

In the early years of electronic computing, before the proliferation of the PC and the development of a mass market for computer software, most software users were computer specialists who had little interest in the legal niceties of intellectual property rights. In those early days, moreover, the primary commercial focus was on hardware rather than software development. An attitude developed that software, even if not legally in the public domain, could be treated as such and freely copied.

Some software developers, most notably Bill Gates of Microsoft, complained that this "freeware" attitude would discourage developers from making the investments in R&D necessary to produce new products and that this would ultimately impede the development of the industry. They argued that there should be strong legal protection of software so as to encourage innovation.

It was not, however, until computers—and software—became widely used by the general public that the attitude of users started to change. In part, the change was due to efforts by the software industry to educate the public—when they "purchased" a software program they were not "buying" the program outright but rather paying for a license to use it and, as a result, were not free to make copies for others to use. This educational effort was supported not only by legal devices such as "shrink-wrap" licenses but also by after-sale customer support services that provided the customer with an incentive to pay for a legitimate license. For example, a number of companies began to offer program upgrades to legitimate licensees at reduced rates. In addition, the industry stressed the dangers of computer viruses and other problems associated with the use of pirated software. Over time there has been a shift in public perception; today most users in the U.S. understand that computer software cannot be lawfully copied without the licensor's permission.[2]

Protecting against the danger of free-riding by users, however, is only a small part of the balance that must be struck in order to promote the innovation of computer software. Arguably, it is even more important to define the rights of competing producers so as to maximize the incentives for innovation. In particular, the legal system must establish the extent to which a subsequent producer of software should be permitted to utilize elements of existing software in their new programs.[3] This is especially important considering the rise of "object-oriented" software development, the proliferation of software developers driven by the growth of the Internet, and the convergence of entertainment and computer technology.

Forms of Legal Protection

With only limited guidance from Congress, the courts have struggled to apply traditional concepts of intellectual property protection to computer software. Since these traditional forms of protection were developed to protect industrial inventions and artistic works, they have sometimes proven an awkward fit for computer programs. The courts have nevertheless risen to the challenge—producing, in some instances, conflicting rules within and between the discrete legal regimes of copyright, patent and trade secret law.

Copyright

Copyright is by far the easiest form of protection to obtain. Indeed, the moment that a work of minimal originality is created and fixed in any permanent medium, including paper, disk, or semiconductor chip, copy-

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Carey Ramos is a partner and David Berlin an associate of Paul, Weiss, Rifkind, Wharton & Garrison. Daniel M. Levi, a 1998 summer associate of the firm, assisted in the preparation of this article.

right protection automatically attaches. Moreover, this protection lasts for the life of the author plus 50 years or if, as is often the case with computer software, the work is created by an employee during the course of his or her employment, the copyright will last 75 years from the date of first publication or 100 years from the date of creation (whichever period is shorter). Additionally, a copyright, unlike a patent, does not require government approval.[4]

Copyright, however, is a limited form of protection in two respects. First, it is a fundamental principle of copyright law that the author's specific expression is protectable but the underlying idea in a work is not protectable. Thus, a subsequent developer is permitted to copy the ideas behind a computer program without infringing the copyright. Second, copyright law only protects against copying of the work. If someone independently creates a similar or even identical work, he or she does not violate the copyright.

Patent

By contrast, patents, which can protect basic methods and inventions, are potentially a far stronger form of protection—albeit of shorter duration. Section 101 of the Patent Act defines patentable subject matter as "any new and useful process, machine, manufacture, or composition of matter."[5] The holder of a valid patent enjoys an absolute monopoly for 20 years from the date of application (formerly 17 years from issuance of the patent), during which time he or she has the exclusive right to make, use, license, and sell the patented item. Perhaps most importantly, a patent holder also has protection from independent creators—if someone independently creates an invention after it has been patented, unlike copyright law, a patent holder's monopoly gives him or her the right to exclude such independent creators.

Although patents offer stronger protection, they are more difficult, time consuming and expensive to obtain than copyrights. To be eligible for a patent, an invention must meet the statutory standards of novelty, usefulness and nonobviousness to one skilled in the art. Considerably more is required to satisfy this standard than the bare modicum of creativity that is sufficient for copyright. Also, the process of obtaining a patent can take several years, demands careful drafting of the application, and requires full disclosure of the patented invention.

Moreover, even if the inventor is able to persuade the U.S. Patent and Trademark Office (PTO) that the invention meets the necessary statutory standard and a patent issues, there is no guarantee that the courts will uphold its validity. As a result, attacking the validity of the patent is a favorite defense of defendants charged with infringement. Indeed, twenty years ago, two out of three patents examined by the courts were held to be invalid—despite the fact that an issued patent enjoys a statutory presumption of validity.

Attacking the validity of the patent is a favorite defense of defendants charged with infringement.

In the early 1980s, Congress established the Court of Appeals for the Federal Circuit to hear appeals in patent cases. This court was formed to provide specialized and uniform enforcement of the patent laws and, over the past decade, has proven to be a strong supporter of the rights of patent holders. Since the establishment of the Federal Circuit, the proportion of patents held valid in court has doubled—today, it is estimated, more than two out of three patents are held to be valid in litigation. Not surprisingly, this reversal in the ratio of patents held to be valid (together with other factors discussed below) has encouraged software producers to seek patent protection for their products and to enforce their rights through litigation.

Trade Secrets

Trade secret law, like patents, can protect basic methods and inventions but, unlike patents, is not limited to those ideas that are sufficiently novel or non-obvious. Indeed, virtually any information that provides its holder with a business advantage and is kept secret is eligible for trade secret protection. There is no time limit on trade secret protection—in theory, a trade secret may remain such as long as it is kept a secret and confers a business advantage. In the context of computer software, trade secret law has typically been used to protect (a) the source code of a program and (b) elements of new software products that have not yet been brought to market or are awaiting the issuance of a patent.[6]

Trade secret protection is, however, an inherently limited form of protection. The key to trade secret protection is the maintenance of secrecy. The information remains protected only to the extent that it is not disclosed to third parties (except pursuant to a nondisclosure agreement). In contrast to patent law, which grants the inventor an absolute monopoly in exchange for disclosing the invention to the public, trade secret law protects information that the inventor chooses to keep secret. Thus, although the duration of the protection is potentially limitless, it is also easily lost through disclosure. The trade secret holder is obliged, therefore, to take precautions against both inadvertent and deliberate disclosure. For example, many employers seek to preserve the secrecy of their proprietary technology by requiring employees to sign nondisclosure agreements.

When a software designer brings a product to market that embodies the trade secret, the protection may be lost to the extent that the information becomes public. Indeed, even those elements of computer software that are not readily perceivable, such as the program's source code, may become public through the use of techniques, such as decompiling or reverse engineering, against which trade secret law provides no protection. Moreover, like copyright but unlike patent law, trade secret law provides no protection against the independent creator.

Significant Issues

Having outlined the three basic forms of intellectual property protection available for computer software, let us turn to a few controversial issues that have blurred the scope of intellectual property rights in the computer software field.

Copyright Issues

Today, there is no doubt that computer programs are eligible for protection as "literary works" under the Copyright Act. Indeed, the 1980 amendments to the Act expressly included "computer program" as a defined term. Thus, the literal elements of a computer program—including the source and object code—are protectable just as the text of a novel would be. That the text may be encoded and unintelligible other than to computer programmers is irrelevant. Moreover, all forms of computer programs are eligible for protection regardless of whether they are application programs or operating systems, as long as they are fixed on a magnetic disk, a tape, a semiconductor chip, or any other tangible medium.

There remains considerable disagreement, however, about the appropriate scope of such protection.

Protection of Non-Literal Elements

Non-literal elements of a computer program include its structure, sequence and organization. The law is clear that the software code itself, to the extent original, is copyrightable. It is the non-literal elements that have been the source of controversy in the courts.

As I mentioned earlier, one of the premises of copyright law is that copyright seeks to protect the author's individual expression while leaving others free to utilize the underlying ideas. In a number of recent cases, the courts have attempted to draw the line between protectable expression and unprotectable ideas in computer programs. In particular, they have wrestled with the question of how much protection should be afforded to the non-literal elements of a computer program.

Protection for the non-literal elements of the program started out broadly, but has subsequently been curtailed. In one early case, *Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc.*,[7] the Third Circuit held that copyright protection for a computer program could extend beyond the program's literal code to its structure, sequence and organization. The court ruled that the "purpose or function" of a computer program was its "idea" and that "everything that is not necessary to that purpose or function would be part of the expression of the idea."[8] That case involved computer programs designed to assist in managing dental laboratories. The Whelan court held that the programs shared only one broadly stated purpose, and hence, only one broadly stated goal or "idea." Thus, the court ruled, other elements of the plaintiff's program—including its structure, sequence and organization—constituted expression that would, if original, be eligible for copyright protection.

A number of commentators and other federal courts have subsequently criticized this expansive view of the scope of copyright protection. Such broad protection, it is argued, grants an unreasonable advantage to the authors of existing software and unduly restricts future innovation in the field. Indeed, a number of courts have curtailed this broad approach. In one such case, the Second Circuit specifically rejected the Whelan court's analysis as overly simplistic and adopted instead a new and more stringent test. The Second Circuit designed this test to filter out the "ideas" and other noncopyrightable material in a program in order to identify the copyrightable expression.

In *Computer Associates International, Inc. v. Altai*,[9] the Second Circuit announced its more stringent three-step "abstraction-filtration-comparison" test. Under this test, courts must first dissect the structure of plaintiff's program and isolate each level of abstraction contained within it. For example, the program's purpose represents the highest level of abstraction, and the code is the lowest level. This step enables courts to separate protected expression from unprotected ideas. Next, courts apply the filtration step in which, at each level of abstraction, the unprotectable ideas, public domain material, and expression that is merged with an idea are all separated from protected expression. Finally, courts must compare those elements of the work that survived filtration to the corresponding elements of the defendant's allegedly infringing work to determine whether there was sufficient copying of protected material to constitute infringement.

During the past several years, many appellate courts have followed this filtration approach,[10] while other courts have used the test but modified elements of the methodology. For example, in *Gates Rubber Co. v. Bando Chemical Industries*,[11] the Tenth Circuit embraced the abstraction-filtration-comparison test, but cautioned that a court should also compare the two programs before the filtration step. Focusing too closely on the particulars, the court reasoned, might result in overlooking obvious similarities between two programs that evince improper copying.

Other circuits seemed to be developing a consensus in favor of the Second Circuit's abstraction-filtration-comparison test, until the First Circuit, in *Lotus Development Corp. v. Borland International, Inc.*,[12] again altered the legal landscape. In 1990, Lotus filed suit claiming that Borland's Quattro spreadsheet programs infringed its own popular 1-2-3 program. At that time, Lotus had cornered the spreadsheet program market, and Borland, to encourage users to switch to its Quattro program, copied 1-2-3's menu hierarchy into its own program. This allowed Quattro users to run macros initially developed for use on 1-2-3, and thus enabled 1-2-3 users to switch to Quattro without the need for additional training. Lotus claimed Borland's copying constituted copyright infringement.

The First Circuit disagreed, and held that Lotus' menu command hierarchy was a "method of operation," which Section 102(b) of the Copyright Act declares to be non-copyrightable subject matter. The court declined to rely on the abstraction-filtration-comparison test, reasoning that the Second Circuit test is useful for assessing alleged non-literal copying of computer code, but is not helpful in assessing whether the Lotus menu command hierarchy, which was literally copied, is copyrightable subject matter.

The U.S. Supreme Court granted *certiorari* in *Lotus v. Borland* and held a spirited oral argument but, by divided vote of 4-4, affirmed the First Circuit's decision without opinion.[13]

The *Lotus v. Borland* decision represents a further retraction of copyright protection for computer software. If the First Circuit's method of operation analysis were strictly applied, a court might take the view that only the literal code itself would be eligible for copyright protection, since any computer program can be viewed as a "method of operation."

The Tenth Circuit, however, has recently rejected the Lotus test. In *Mitel, Inc. v. Iqtel, Inc.*,[14] the court declined to adopt the "method of operation" analysis, and continued to follow the abstraction-filtration-comparison approach. The court reasoned that even when an element of the computer program is characterized as a "method of operation," that element may still contain expression and therefore be eligible for copyright protection. The court disagreed with the First Circuit's interpretation in *Lotus v. Borland* of Sections 102 (a) and (b) of the Copyright Act:

> "Section 102(b) does not extinguish the protection accorded a particular expression of an idea merely because that expression is embodied in a method of operation at a higher level of abstraction. Rather, sections 102(a) & (b) interact to secure ideas for public domain and to set apart an author's particular expression for further scrutiny to ensure that copyright protection will 'promote the . . . useful Arts'."[15]

With this split in the circuits, the scope of copyright protection for software may ultimately depend upon the circuit in which the issue is litigated.

Reverse Engineering, Fair Use and Clean Rooms

Another area that has caused considerable controversy is the extent to which a user may disassemble copyrighted object code for the purpose of "reverse engineering" software programs. Such "reverse engineering" is quite common in the software industry.

Essentially, the problem lies in the fact that, although the purpose of reverse engineering is to extract non-copyrighted elements of the program, the process usually requires some interim copying of the original software. The issue has been whether such copying falls within the category of "fair use"—a statutorily recognized exception to infringement for limited forms of copying that are thought to be in the public interest.

Although the purpose of reverse engineering is to extract non-copyrighted elements of the program, the process usually requires some interim copying of the original software.

To date, two appellate courts have addressed this issue and have reached the same conclusion. In the more influential of these cases, *Sega Enterprises, Ltd. v. Accolade, Inc.*,[16] the Japanese computer game manufacturer Sega Enterprises had sued Accolade, Inc., an independent developer, manufacturer and marketer of computer game cartridges designed to be compatible with Sega's popular Genesis system. The Genesis game console incorporated a specific interface that could only be unlocked by special software code in the authorized Sega cartridges. In order to ensure that its rival cartridges would play in the Genesis console, Accolade reverse engineered Sega's cartridges to determine the interface specifications for the Genesis system. This process, Accolade argued, required it to copy the copyrighted object code from the Sega cartridges.

The appellate court ruled, however, that such copying was permissible under the circumstances because it helped produce competitive products. In reaching its decision, the court initially found that the purpose of the defendant's copying was simply to discover the functional requirements for compatibility with the Genesis console—aspects of Sega's programs that the court held were not protected by copyright. The court then found that since the interface procedures were only distributed in object code form, which could not be read by humans, it was essential, if the defendant was to produce Genesis-compatible games, that it disassemble the object code. The court, however, was careful to limit the scope of this "fair use" exception to copying done for this very narrow purpose.[17]

In a second case, *Atari Games Corp. v. Nintendo of America, Inc.*,[18] also involving the reverse engineering of computer games, another appellate court similarly ruled that efforts to disassemble object code in order to ascertain the unprotected ideas and processes embodied therein could qualify as "fair use." Again, the court cautioned, however, that this exception was a limited one and that reproductions of a computer program must not exceed what is strictly necessary to identify the unprotected ideas in a program.

One mechanism to avoid some of the problems associated with reverse engineering is to adopt what are known as "clean room procedures." These procedures are based on two copyright principles. First, as we noted above, copyright protects expression and not ideas. Second, absent evidence of the defendant's access to the copyrighted work, it is difficult to prove infringement. Thus, clean room procedures are designed to establish that the programmer, while extracting a program's unprotected ideas, did not have access to the program's protected expression.

To accomplish this, clean room procedures use two groups of programmers—a specifications group and a development group. The specifications group is responsible for decompiling, examining and extracting the unprotected ideas from the target program. The results are then distilled to basic ideas that are passed on to the development group, which has sole responsibility for developing the new program. Since the group developing the new program has no access to the target program but only its unprotected ideas, a finding of infringement is theoretically impossible. The success of the process can be enhanced by separating the two groups geographically and making sure that all communications between the groups are in writing and logged.

Trade Secret Law Issues

The Computer Associates, Sega and Lotus decisions reflect a trend in the courts toward a narrower view of the scope of copyright protection for computer software. As courts have begun to restrict copyright, however, they have offered as something of a "consolation prize" that software developers may find protection either through trade secret or patent law. Indeed, in the landmark Computer Associates case, the Second Circuit went out of its way to say that trade secret protection might be an appropriate way to protect non-copyrightable elements of software. Similarly in the Gates decision, the Tenth Circuit upheld a finding of trade secret misappropriation.

In light of this judicial receptiveness, therefore, trade secret claims are likely to be a "hot" area for software litigation in the U.S. As we have previously noted, however, trade secret law only provides a limited form of protection.

A good example of the limited trade secret protection afforded computer software is the 1994 unpublished decision by the United States District Court for the Central District of California, *Stac Electronics v. Microsoft*.[19] In this decision, the District Court suggested that by widely distributing its program, Microsoft had lost any trade secret protection its computer program may have enjoyed. A First Circuit case, however, *Data General Corp. v. Grumman Systems Support Co.*,[20] held that the confidential contents of a computer program distributed only in object code format qualified as trade secrets.

> ***One mechanism to avoid some of the problems associated with reverse engineering is to adopt what are known as 'clean room procedures.'***

Object code, as opposed to source code, is considerably more time consuming and difficult to reverse engineer. However, one is free to try to reverse engineer a program distributed in object code, even if the developer claims the source code as a trade secret. Thus, as long as rival programmers obtain a copy of the object code through legitimate means and not, for example, through a breach of confidence by a former employee, they are free to decompile the code to extract its underlying ideas.

In the case of lawful reverse engineering, therefore, the only way to prevent such engineering is to impose restrictions on use in a license agreement. Software with a limited distribution may be licensed through individually negotiated agreements. Distributors of mass-marketed software, on the other hand, must rely on restrictions in a shrinkwrap license forbidding reverse engineering.

A shrinkwrap license is subject to contract law and thus, like trade secret law, is governed by the individual laws of the 50 states. Most mass-marketed software today is distributed with a such a license, or in the case of software disseminated over the Internet, a click-on license. For most purposes, the use of each license has identical legal implications, and we will refer to both licenses collectively as "shrinkwrap licenses."

Shrinkwrap licenses state that breaking open the software shrinkwrap (or clicking "yes" in downloading a program from the Internet) constitutes acceptance of the terms of the accompanying license. Such a license typically prohibits the user from copying and reverse engineering the licensed program. Until fairly recently, the validity of these licenses was widely debated. With the 7th Circuit's 1996 opinion in *ProCD, Inc. v. Zeidenberg* [21] however, the growing consensus is that shrinkwrap licenses are enforceable, provided that the consumer has the opportunity to review the license and decline or return the software if the terms are not acceptable. The 7th Circuit held in ProCD that shrinkwrap licenses in mass-market consumer transactions are enforceable under the UCC.[22]

The combination of trade secret law and shrinkwrap licenses may thus provide protection for software beyond copyright.

Patent Law Issues

A valid patent provides the strongest possible protection for computer software. Patent protection has a number of distinct advantages over both copyright and trade secret protection. In particular, since it grants the inventor a 20-year statutory monopoly over a method or invention, patent law precludes not only all forms of reverse engineering but also even the possibility of independent creation. Thus, not even innocent, unknowing independent developers can "make, use or sell" the patented invention for the statutory period.

For this reason, together with a growing willingness of the PTO to issue software patents, there has been a dramatic increase in the number of software developers seeking patent protection for their work. As noted earlier, this process has been encouraged by the formation of the specialized Federal Circuit which has made it far more likely that patents will be held valid in the event of litigation. Additionally, a series of well-publicized multimillion dollar verdicts (several exceeding $100 million) in patent infringement cases has demonstrated the immense potential value in some patents.

Software was originally considered unpatentable under American law. In 1966, a Presidential Commission specifically advised that patent protection was inappropriate for software. Under well established principles of patent law, laws of nature, such as mathematical algorithms, are not patentable, and, initially, computer programs were seen as nothing more than a series of mathematical calculations. Similarly, mental processes are not patentable, and computer programs were also viewed as being just a series of very fast mental steps.

A significant turning point occurred in 1981, when the United States Supreme Court ruled in a landmark case, *Diamond v. Diehr*,[23] that merely because a process incorporated the use of a digital computer, it was not automatically ineligible for patent protection. The Diamond decision, although not directly about software, set the stage for the eventual acceptance of the patentability of computer programs. Since Diamond, courts have struggled to determine what kinds of software are eligible for patent protection. In 1998, the Federal Circuit moved toward resolving this question in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*,[24] holding that if a computer program produces a "useful, concrete and tangible result,"[25] it falls within the scope of patentable subject matter.[26]

In September 1989, the PTO officially indicated its willingness to receive software patent applications. Since then, there has been a virtual flood of applications, and numerous applications have been approved.

Initially, some developers filed for patents purely as a defensive measure—as an insurance policy to prevent a rival company from shutting them out of a particular market. Now, however, software developers are using patents as aggressive tools with which to expand their market share. Some companies can exercise power just through the number of patents they possess—using them as bargaining chips in cross-licensing and other business negotiations. The consequence has been a madcap race among such developers to file as many patents as possible.

Because it has only a few years experience in software patents, the PTO has a relatively limited database of prior art with which to judge whether software patent claims meet the statutory standards of novelty and nonobviousness. The result, some critics say, is that the PTO has too readily granted such patents.

One example frequently cited by the critics is the legendary Compton's New Media patent.[27] When the patent was originally issued on August 31, 1993, there was an outcry because it was seen to be excessively broad and arguably purported to claim the very foundation of multimedia technology—a system for retrieving text, pictures, audio, and animated data from a database. Then, in a highly unusual development, the PTO Commissioner ordered the reexamination of the patent in light of previously issued patents and pre-existing published works (the so-called "prior art"). In October 1994, after reexamination, the PTO rejected Compton's patent. Since its reversal of Compton's patent, the PTO has hired computer scientists to examine computer-related patent applications and has greatly expanded its database of software-related prior art in order to better handle the growing number of software patent applications.

In 1996, the PTO issued Examination Guidelines for Computer-Related Inventions.[28] While the Guidelines are not law, they are the PTO's interpretation of the law as to what types of software inventions are patentable. The Guidelines stress that, to be patentable, a software patent claim must define structural and functional interrelationships between themselves and other claimed aspects of the invention.

A detailed explanation of these Guidelines is beyond the scope of this paper. In summary, the Guidelines delineate between "functional" and "non-functional" descriptive material. Functional descriptive material consists of data structures and computer programs that impart functionality when encoded on a computer-readable medium, and, as such, are patentable. Non-functional descriptive material, on the other hand, includes music and literary works and is outside the scope of patent protection when claimed for itself. Musical and literary works are the subject of copyright, not patent, protection.

According to the Guidelines, however, when non-functional descriptive material is claimed in a way that structurally and functionally interrelates to the claimed aspects of the invention, it is patentable. The Guidelines state that "when functional descriptive material is recorded on a computer-readable medium it becomes structurally and functionally interrelated to the medium and will be statutory in most cases."[29]

> ***Where a software developer is able to obtain a strong and valid patent, it becomes a very valuable asset and a potentially powerful weapon in litigation or negotiation.***

Where a software developer is able to obtain a strong and valid patent, it becomes a very valuable asset and a potentially powerful weapon in litigation or negotiation. A good example is the previously mentioned litigation between Stac Electronics and Microsoft in California. In addition to the trade secret claim, this 1994 case involved a patent for data compression software developed by Stac Electronics, a relatively small software company. Microsoft initially had considered licensing Stac's software for the latest version of its operating system software, MS-DOS 6.0. Eventually, however, Microsoft decided to use its own data compression software. Stac then sued Microsoft claiming that MS-DOS 6.0 infringed its patent. The jury awarded Stac $120 million after finding that Microsoft had infringed Stac's data compression software patents. The case was subsequently settled.

The case is noteworthy not only because a dwarf company like Stac was able with the power of patents to defeat a far larger competitor like Microsoft, but also because Microsoft successfully counterclaimed against Stac for trade secret misappropriation (winning a $13.6 million judgment, which partially offset Stac's $120 million judgment against Microsoft). In many ways, this typifies the trend in high-tech litigation—one company pitting its intellectual property claims against another's.

Advising the Software Developer

Having now described the three primary methods of legal protection for computer software, we will turn to the process of how one might go about determining which form of protection to seek. Copyright, patent and trade secret protection are not mutually exclusive, and determining which forms of protection apply often hinges upon the particularities of the software product at issue.

To aid our discussion, we will use three hypothetical software developer clients and describe various issues to consider when they seek intellectual property guidance: a video game developer (Val Video), an accounting program developer (Brenda Balance), and a custom software developer (Ned Novel).

A. Val Video describes his program as a video game that combines multimedia technology and the player's skill to guide a Godzilla-like monster in the destruction of Los Angeles. Val plans to mass-market the software —therefore, trade secret law will not provide Val's strongest protection. We would nonetheless encourage Val to use a shrinkwrap license to prohibit reverse engineering of the program. Because Val plans to mass-market his program, however, the shrinkwrap license will provide only limited protection. The shrinkwrap license's prohibition against reverse engineering will be difficult to police, and infringement of this provision will be even more difficult to prove. Trade secret law, even when bolstered by a shrinkwrap license, provides only limited protection for mass-marketed software.

Patent law, on the other hand, can provide formidable protection for mass-marketed software. To investigate his program's patentability, we would ask Val if he considers his program a compilation of conventional functions, or whether it includes any novel inventions such as a new method of generating 3-D graphics.

Copyright law, however, may be best suited to a multimedia program like Val's. Val's game is a program that, while drawing heavily on established programming techniques, interweaves original graphics, music and sound effects to create an exciting game-playing experience. This appears to be the primary attraction of Val's program, which distinguishes it from competing products. Copyright should protect Val's original graphics, music and sound effects, along with the original code in which Val's program is embodied. As I mentioned earlier, the three forms of legal protection for software are not mutually exclusive, and thus Val's game may derive benefits from all three. Unless his software includes a novel invention, however, copyright law appears to be the primary form of protection applicable to Val's video game software.

B. The second hypothetical client, Brenda Balance, describes her program as a simple spreadsheet program that, while not utilizing any new techniques in its code or method of operation, is extremely user-friendly and is to be mass-marketed to computer owners with limited computing experience. As with Val and most other software developers, Brenda's program should be distributed with a shrinkwrap license prohibiting reverse engineering of the program.

Next, because Brenda's program does not contain any novel or unique functions or components, the accounting program likely does not meet the statutory requirements for patent protection.

Finally, copyright law may provide only minimal protection for Brenda's program. While copyright will protect the accounting program's code, an experienced programmer could independently write code that essentially mimics the software's operations; such independent creation and copying of ideas does not violate a copyright holder's rights. Copyright, of course, will protect unauthorized copying of the software, although such copying may be difficult to police.

Thus, none of the three methods of protecting computer software will be very effective in protecting Brenda's accounting software. Copyright law, together with a shrinkwrap license, will provide limited protection from unauthorized copying of the program. But this may be the most protection Brenda can obtain under existing law.

C. The third hypothetical client, Ned Novel, describes his program as a "virtual receptionist" that combines voice-data technology and novel programming techniques. He explains that the program is designed to eliminate the need for a human telephone receptionist. Ned will license his "virtual receptionist" software to a limited number of licensees, and each licensee's installation will require considerable customization by Ned.

Because Ned will individually negotiate with each licensee, his program is ideally suited for trade secret protection. Each licensee will sign a confidentiality agreement undertaking not to disclose any of the trade secrets in Ned's program. Similarly, the license will restrict licensees from reverse engineering the program. Restrictive provisions contained in individually negotiated licenses such as Ned's present fewer uncertainties in enforcement than shrinkwrap licenses.

Additionally, while the program code should qualify for copyright protection, it also appears likely that several of the program's innovative functions could qualify for patent protection as well.

In sum, unlike Brenda Balance's accounting program, Ned's "virtual receptionist" program may benefit from all three forms of intellectual property protection.

D. As we have seen from the three hypothetical clients, the type of intellectual property protection available to software developers depends on the characteristics of the particular software at issue. The potential considerations are myriad. The following factors, while not exhaustive, will frequently be worth addressing in counseling software developers regarding the appropriate method of intellectual property protection for their creations:

1. Is the software to be mass-marketed? If so, while a shrinkwrap license can prevent the user from reverse engineering the code and thus help maintain trade secret status, enforcing these licenses is an onerous task. Copyright and/or patent law provide stronger protection for mass-marketed programs.
2. What is new about the software? If the software contains original artwork or other expression, as in Val Video's video game, those elements, in addition to the original code in which they are embodied, should be eligible for copyright protection. If the software offers or includes a new and useful application or functionality, such as Ned Novel's "virtual receptionist," a patent may well be worth pursuing. Even though, as noted earlier, patent protection is much shorter than copyright protection, given the pace of technological innovation today, the difference is not likely to be material for most inventions.
3. From whom does the client seek to protect the software? If the client's main concern is with individuals who might seek to pirate their product wholesale, then copyright protection may well suffice. However, if the client's main concern is warding off potential rivals that have the resources and expertise to "reverse engineer" their program, patent protection, if available, may be worth pursuing. Patents provide stronger protection than copyrights, are a strong deterrent against reverse engineering, and are therefore viewed seriously by the software industry. The best evidence of this attitude is the level of patent cross-licensing that has occurred in recent years—and continues to occur—between major software producers.
4. Where does the client intend to market the software? If the developer intends to reach international markets, it is important to keep in mind that copyrights, in addition to recognition in the U.S., are subject to certain international conventions that have been broadly adopted throughout the world. Patents, by contrast, are recognized by and large only in the jurisdictions in which they are issued. Thus, those who wish to put their software into the international stream of commerce should consider seeking patent protection in other jurisdictions that may be important to their business.

As noted above, many other factors may come into play in counseling software developers how to protect their products. The foregoing discussion is intended to be illustrative of the issues that may arise. The issues are further complicated by the differences that have arisen between many courts in applying traditional intellectual property principles to new technologies. It is hoped that the foregoing discussion will assist attorneys in identifying issues to be explored in counseling clients in this rapidly evolving field.

NOTES

1. *See, e.g., Pamela Samuelson et al., A Manifesto Concerning the Legal Protection of Computer Programs, 94 Colum. L. Rev. 2308 (1994).*

2. *Software developers may choose not to claim legal protection for their works and permit free and open copying, as has been urged by the free software movement.*

3. *For an insightful discussion of the reuse of existing software, see Mark A. Lemley & David W. O'Brien, Encouraging Software Reuse, 49 Stan. L. Rev. 255 (1997).*

4. *A copyright owner may nevertheless wish to register with the U.S. Copyright Office to obtain certain statutorily prescribed benefits, including eligibility for statutory damages and legal fees in the event of infringement.*

5. *35 U.S.C. § 101 (1994).*

6. *Unlike most other countries, the patent application process in the United States is itself secret, and thus if a patent is not granted, the software developer may still maintain trade secret protection. If a patent issues, however, any trade secret protection for the matters disclosed in the patent is lost.*

7. *797 F.2d 1222 (3d Cir. 1986),* cert. denied, *479 U.S. 1031 (1987).*

8. *797 F.2d at 1236.*

9. *982 F.2d 693 (2d Cir. 1992).*

10. *See, e.g.,* Bateman v. Mnemonics, Inc., *79 F.3d 1532 (11th Cir. 1996);* Engineering Dynamics, Inc. v. Structural Software, Inc., *26 F.3d 1335 (5th Cir. 1994);* Apple Computer, Inc. v. Microsoft Corp., *35 F.3d 1435 (9th Cir. 1994),* cert. denied, *513 U.S. 1184 (1995);* Kepner-Tregoe, Inc. v. Leadership Software, Inc., *12 F.3d 527 (5th Cir.),* cert. denied, *513 U.S. 820 (1994);* Sega Enterprises, Ltd. v. Accolade, Inc., *977 F.2d 1510 (9th Cir. 1992);* Atari Games Corp. v. Nintendo of America, Inc., *975 F.2d 832 (Fed. Cir. 1992).*

11. *9 F.3d 823 (10th Cir. 1993).*

12. *49 F.3d 807 (1st Cir. 1995), aff'd by an equally divided court, 516 U.S. 233 (1996).*

13. *See note 11.*

14. *124 F.3d 1366 (10th Cir. 1997).*

15. *124 F.3d at 1372.*

16. *977 F.2d 1510 (9th Cir. 1992).*

17. *See also* Bateman v. Mnemonics, Inc., *79 F.3d 1532, 1540 (11th Cir. 1996) (endorsing the approach of the Sega court).*

18. *975 F.2d 832 (Fed. Cir. 1992).*

19. *Hearing Transcript (No. CV-93-413-ER) (May 13, 1994).*

20. *825 F. Supp. 340 (D. Mass. 1993), aff'd, 36 F.3d 1147 (1st Cir. 1994).*

21. *86 F.3d 1447 (7th Cir. 1996).*

22. *A proposed new Article 2B of the UCC would, if adopted, codify the enforceability of shrinkwrap licenses. See UCC Article 2B - Licenses (Tentative Draft August 1, 1998).*

23. *450 U.S. 175 (1981).*

24. *149 F.3d 1368 (Fed. Cir. 1998).*

25. *149 F.3d at 1384 (quoting* In re Alappat, *33 F.3d 1526, 1544 (Fed. Cir. 1994)).*

26. *For a more detailed discussion of State Street Bank & Trust, see Scott M. Alter, Federal Circuit Broadens Scope For Software Patents, The Computer Lawyer, Oct. 1998, at 24.*

27. *U.S. Patent No. 5,241,675 (Reed et al.).*

28. *Examination Guidelines for Computer-Related Inventions, 61 Fed. Reg. 7478 (1996).*

29. *Id. at 7481.*

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Symposium: "Article of Manufacture" Patent Claims for Computer Instruction

THE RELATIVE ROLES OF PATENT AND COPYRIGHT IN THE PROTECTION OF COMPUTER PROGRAMS*

Dennis S. Karjala**

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I. INTRODUCTION

I am delighted to have this opportunity to participate in a symposium devoted to resolving the problem of software patents. I come at the problem from the other side of that broad intellectual property river, namely, copyright, where the debate over the appropriate scope of protection for computer programs continues to rage. This debate has largely followed the copyright tradition of considering copyright as a stand-alone statute, capable of resolving all of its problems with very little reference to other legal regimes and, in particular, with very little reference to patent law. I have the strong impression that patent law has also gone about its business relating to software, from Benson[1] to Beauregard,[2] as if patent law were essentially the only relevant player. My primary point is that we must start trying to coordinate between these two branches of intellectual property law in trying to find the optimal social policy balance of legal protection for computer software.

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[1] *Gottschalk v. Benson*, 409 U.S. 63 (1972).

[2] *In re Beauregard*, 53 F.3d 1583 (Fed. Cir. 1995).

For traditional copyright and patent subject matter, these insular attitudes were generally workable because there was little subject matter overlap. With only a few exceptions, copyright has always eschewed protection of functional works, while functional works of technology are the very stuff of patent subject matter. Moreover, patent law has tried to steer clear of works that are merely useful in the sense of informing human beings or portraying an appearance but not functional in the sense of actually doing work in the physical world. As a result, traditional patent and copyright subject matter divided rather cleanly between the nonfunctional, reserved to copyright, and the functional, reserved to patent. As long as that distinction was largely observed, as it was until the advent of computer programs, there was very little need for communication between the two disciplines.

Computer programs, and in particular the congressional decision to include them among the categories of copyright subject matter, force a rethinking of the old division of labor, because computer programs are functional in a way that traditional law reserved to patent subject matter. Computer programs may, of course, be read by trained people for no purpose other than to understand how they work.[3] A program so used would serve the nonfunctional purpose of informing a human being, a traditional ground for its inclusion among copyright subject matter. However, the primary purpose for which computer programs are written, produced, and distributed, is not that they be read by human beings.[4] Rather computer programs are produced for the purely functional purpose of causing a computer to perform a particular task or set of tasks. Computer programs are, in short, technology -- the technology for using computers. They, quite literally, sequentially set switches inside the machine in such a way that the results can be interpreted by human beings as "information processing."

Although few seemed to realize it at the time, the decision to bring computer programs, works of technology and thus functional subject matter, under copyright was a radical break from intellectual property tradition. It occurred partially because the two fields operated independently for so long that most of the participants forgot the essence of the distinction between patent and copyright subject matter. Inability in both camps to separate the form of a computer program from its substance led to further confusion. The copyright cases concerning computer programs exhibit a chronic failure to distinguish merely "useful" works under copyright (like dictionaries and maps) from truly "functional" works, like lawn mowers and, now, computer programs themselves. Consequently, judges in the early software copyright cases made the fundamental mistake of treating computer programs as literary works amenable to the same analysis they had used for years in application to works like novels and plays. The result was broad protection of technological features of programs for the very long period of copyright without any showing that the features in question would have qualified for even a twenty year patent. Similarly, judges in patent cases, and the United States Patent and Trademark Office ("PTO") itself, had great difficulty extricating themselves from the form in which this new technology appeared, namely, as written sets of statements and instructions that seemed too far removed from the nuts, bolts, and sockets of the traditional mechanical and electrical products they were used to (and too similar to the "printed matter" for which they had long denied patentability). As a result, we saw some 20 years of § 101[5] subject matter metaphysics in which the basic question of did the claimed invention evince a new and nonobvious technological advance was rarely asked.

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[3] A machine like an automobile engine can be "read" or studied for the same purpose, but we do not on that ground include it within copyright subject matter.

[4] In fact, most program copyright owners would prefer to prevent others from reading their programs, if they could do so through legal restrictions or technological means. That way they could protect their copyright-unprotected trade secrets and know how.

Developments in the last few years, and in particular the PTO's Guidelines[6] (Guidelines), have begun a new and welcome approach from the patent side. Because the subject matter question has now been mooted, essentially by fiat, patent lawyers must now begin to deal with the real issues of program novelty and nonobviousness. These developments come not a moment too soon. Unless and until patent law gets its act together to protect noncode technological innovation in computer programs, clearly and unambiguously, the pressure to effect such protection under copyright will continue. Copyright protection for most program innovation would be much worse than whatever comes out of patent, because copyright was not designed for, and indeed is ill-suited to, the protection of technology. On the other hand, when patent law does accept its traditional role as the primary source of intellectual property protection for program technology (especially noncode technology), copyright can and should feel free to retreat to its primary role as protector of nonfunctional cultural works and its new, important, but definitely secondary role in the protection of technology, namely, the protection of program code from misappropriation.

The article's major subtheme, therefore, is that patent and copyright lawyers must begin talking to each other now that computer programs have brought a degree of overlap to their heretofore largely distinct subject matter areas. I begin by reviewing previous work I have done, outlining the respective subject matter areas of copyright and patent and explaining why we arrived at the traditional division of labor based on the distinction between functional and nonfunctional works. I then summarize my theory for the copyright protection of software, stepping through the various elements of computer programs that have been the subject of so much heated debate in the copyright camp but almost no debate among the patent lawyers, namely, program code, program structure or SSO ("structure, sequence, and organization"), and program interfaces. Finally, I take on the question of the proper application of patent law to these program elements.

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[5] 35 U.S.C. § 101 (1994).

[6] Examination Guidelines for Computer-Related Inventions, 61 Fed. Reg. 7478 (1996) [hereinafter "Guidelines"].

II. BACKGROUND

A. Copyright and Patent[7]

Why do we have two statutes, patent and copyright, instead of just one? Both protect the fruits of intellectual creativity, and neither demands or protects, in general, more creativity than the other. No one has ever shown that the two statutory regimes protect qualitatively different creativity. Many copyright- protected works are quite mundane, and certainly some patented inventions, like the transistor, can only be said to reflect creative genius of the first order. Moreover, the underlying social policy goals of patent and copyright are similar. Both seek to draw a balance between, on the one hand, providing an incentive for the creation of works desired by society and recognizing in some fair and just way the efforts of their creators and, on the other hand, insuring a broad public domain that permits later inventors and authors to build on the existing foundation to advance technology and culture for the overall benefit of society.

Yet these two statutory schemes for the protection of the fruits of intellectual creativity are radically different from each other and effect their social policy balances in very different ways. Patents must be narrowly claimed and protection is narrowly limited to the claim. Patents must be approved by administrative authorities, must involve a "nonobvious" and not simply a normal engineering advance, and remain valid for twenty years from filing. Copyrights, on the other hand, come into existence automatically, with no requirement that the rightholder specify precisely which aspects of her work are protected and which are not. The work need only be "original" in the sense of being the intellectual work product of the author and not "novel" or "new" in any absolute sense. The scope of protection can be very vague, with infringement determined by a standard of "substantial similarity."[8] Moreover, the copyright-protected work need only be the intellectual product of its author, with at most minimal artistic "creativity," and protection continues for roughly seventy five to one hundred years. In sum, patents are more narrowly defined than copyrights, harder to get, persist for a shorter period, and are easier to defend against in cases of nonliteral copying.

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[7] This and the following section are based on Dennis S. Karjala, "A Coherent Theory for the Copyright Protection of Computer Software and Recent Judicial Interpretations," 66 *U. Cin. L. Rev.* 53 (symposium issue 1997) [[hereinafter A Coherent Theory]; earlier work in which I presented similar arguments include Dennis S. Karjala, "Misappropriation as a Third Intellectual Property Paradigm," 94 *Colum. L. Rev.* 2594 (1994); Dennis S. Karjala, "Copyright Protection of Computer Software, Reverse Engineering, (on file with the author) and Professor Miller," 19 *U. Dayton L. Rev.* 975 (1994) (this article was originally published under the erroneous title "Copyright Protection of Computer Documents, Reverse Engineering, and Professor Miller") [hereinafter Reverse Engineering and Professor Miller]; Dennis S. Karjala, "Recent United States and International Developments in Software Protection," 16 *Eur. Intell. Prop. Rev.* 13 (Part 1) & 58 (Part 2) (1994); Dennis S. Karjala, "Copyright, Computer Software, and the New Protectionism," 28 *Jurimetrics J.* 33 (1987) [hereinafter New Protectionism]. On the specific question of the distinction between patent and copyright subject matter, *see also* Amicus Curiae Brief for Respondent, *Lotus Dev. Corp. v. Borland Int'l, Inc.*, 516 U.S. 233 (1996).

[8] In a private communication, Richard H. Stern has presented me with the argument that patents may be broader than copyrights in their scope, given the abstract nature of "algorithms" and similar patent subject matter and given the doctrine of equivalents. I agree that patents do cover some of the abstractions that are excluded from copyright protection under 17 U.S.C. § 102(b) (1994) of the

Why are there these differences when the statutes are aimed at achieving the same overall goal? I suggest that the answer is to be found in the nature of the respective subject matter to which each of these statutes, until the advent of computer programs, was largely confined. As briefly outlined in the introduction, the fundamental difference between traditional patent and copyright subject matter is best captured by the term "functionality." Patents protect creative, functional invention; copyright protects creative, nonfunctional authorship. In order for the term "functionality" to serve as the benchmark for distinguishing between patent and copyright subject matter, however, it is crucial to avoid equating the term "functional" with "useful."[9] To identify "functionality" with "usefulness" leaves no distinction between patent and copyright subject matter and raises the question of why we should have two very different statutory schemes for protecting the same thing.

Copyright protects many works that are "useful" to human beings. Maps enable us to go from one place to another; recipes tell us how to bake cakes; works of art make our walls more attractive, accounting books explain how to implement a particular system of accounting. All of these works are copyright protected. There is a subcategory of "usefulness," however, that has generally been excluded from copyright protection. This category is most aptly captured by the definition of a "useful article" in the Copyright Act:

Copyright Act. However, that does not necessarily make the scope of patents broader. The scope of a patent is still strictly limited by the claim language. It is hard to imagine, for example, film production machinery or processes infringing a patent on book production machinery or processes, while films infringe book copyrights all the time (if not used with permission). In any event, none of the conclusions reached in this section or in this article as a whole depends on whether patent scope as a philosophical matter is broader or narrower than copyright scope. The real question is why we have differences between the statutes at all, and I stand by my answer to that question, namely, that patent is designed to deal with functional subject matter and copyrights with nonfunctional subject matter.

[9] Copyright lawyers seeking to expand copyright protection, especially for computer software, conflate these terms all the time, in an effort to show that functionality is not a bar to copyright protection. E.g., Kenneth W. Dam, "Some Economic Considerations in the Intellectual Property Protection of Software," 24 *J. Legal Studies* 321, 323-24 (1995) (pointing to copyright protection for dictionaries, maps, and charts and for the output of new technologies, such as photographs); Arthur W. Miller, "Copyright Protection for Computer Programs, Databases, and Computer-Generated Works: Is Anything New Since CONTU?", 106 *Harv. L. Rev.* 977, 986 (1993) (pointing to factual compilations, dictionaries, code books, encyclopedias, advertising, and instruction manuals). I am indebted to Professor Jim Chen for pointing out to me that part of the problem in trying to distinguish between "functional" and "useful" for subject matter purposes is actual employment of the term "useful" in 35 U.S.C. § 101 (1994) of the Patent Act.

> A "useful article" is an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. . .[10]

Although this definition first entered the statute in the Copyright Act of 1976 and certainly not with computer programs in mind,[11] it captures much of the essence of the traditional exclusions from copyright subject matter, following the great case of *Baker v. Selden*.[12]

Thus, a work is "functional" for the purpose of distinguishing between patent and copyright subject matter if it performs some utilitarian (or useful) task other than to inform, entertain, or portray an appearance to human beings.[13] "Usefulness" in the ordinary sense (that is, without the qualifier excluding the conveyance of information or the portrayal of an appearance) does not make a work functional under this definition. A map is nonfunctional, even though it is often quite useful in traveling from A to B, because it does no more than convey information. A doll or toy airplane is nonfunctional even though either may be useful in keeping children productively occupied, because it only portrays an appearance. A picture is nonfunctional for the same reason, even though it may be useful for decorating a house or office. None of these things do more than simply inform or portray an appearance to human beings. A building, on the other hand, is functional, notwithstanding that part of its design portrays an esthetic appearance to human beings, because it also protects from the wind and rain. A computer program, at least in object code form, is functional because it causes a computing machine to operate so as to achieve a certain result. All program- to-program interfaces and protocols are functional under this definition, in view of their inherent utilitarian function of allowing interoperability between computers and the programs that govern computer operations. Many computer program user interfaces, such as the Lotus 1-2-3 user interface at issue in *Lotus Development Corp. v. Borland*,[14] are also functional in the sense used here, because they have the intrinsic utilitarian function, or at least intended function, of permitting users to engage in such operations as inputting and manipulating data in a fast, efficient, and easy-to-master manner. The enormous differences between the patent and copyright protection schemes are largely attributable to patent's primary role as the protector of functional works, as here defined, and copyright's primary role as the protector of nonfunctional works.[15]

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[10] 17 U.S.C. § 101 (1994) (defining "useful article").

[11] The Copyright Act applies the "useful article" definition only to one class of work, namely, pictorial, graphic, and sculptural works, which is the category in which traditional works of industrial design would be classified for copyright purposes.

[12] *Baker v. Selden*, 101 U.S. 99, 105 (1879) ("The description of the art in a book, though entitled to the benefit of copyright, lays no foundation for an exclusive claim to the art itself. The object of the one is explanation; the object of the other is use. The former may be secured by copyright. The latter can only be secured, if it can be secured at all, by letters-patent.")

[13] "Functionality" as so defined does not exhaust the distinction between patent and copyright subject matter. A "system," for example, is excluded from copyright protection under § 102(b) (1994), although it may be patent subject matter as a "process." Many systems or processes are conceptual algorithms that inform human beings how to do something and are not self- executing. They are, then, not directly "functional" within the definition offered in the text. "Processes," of course, are explicitly patent subject matter, so it would not be too much of a strain simply to define such processes to be "functional" to maintain the formal distinction between copyright and patent subject matter under a single term. Cf. Julie E. Cohen, "Reverse Engineering and the Rise of Electronic Vigilantism: Intellectual Property Implications of "Lock-Out" Programs," 68 *S. Cal. L. Rev.* 1091, 1145-46, 1200 (1995) (descriptively applying the label "functional" to systems, processes, and methods of operation to the extent they are excluded from copyright protection under 17 U.S.C. § 102(b)). Attempting the same with regard to "systems," however, is not so easy, because of patents traditional exclusion for "business methods" and "printed matter" (such as forms for recording or displaying information). For the purposes of this symposium, it is sufficient to note that computer programs are functional in a way that is common to much of traditional patent subject matter and that distinguishes them from traditional copyright subject matter.

The policy basis for these differences between the two protection schemes is the social desirability, indeed necessity, of allowing later technological creators to make incremental improvements on the works of others.[16] The social utility of allowing subsequent authors to make minor variations on a copyright-protected novel, for example, is minimal, so the "substantial similarity" standard for infringement forces authors to write whole new books rather than merely tinker with old ones. Technological improvements, however, are often substantially similar to the products they improve and would infringe if the copyright paradigm were applied. Many such improvements on existing products are rather straightforward, or "obvious" in the sense of patent law, and they are given no intellectual property protection once they are released to the public. While such products often show at least as much intellectual creativity as many copyright-protected works, their creators have a monopoly only for the period that is required for competitors to recognize the value or popularity of the improved product, figure out its "secret," if any, and gear up for production and marketing. In the case of technological products, we have drawn the social policy balance at a different point than for traditional works of authorship, because we believe that to grant intellectual property rights in ordinary engineering advances would hinder the development of more products than it would encourage. Hence the "nonobviousness" requirement of patent law, as well as its shorter term and its requirement for an explicit statement of the claimed invention.

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[14] *Lotus Dev. Corp. v. Borland Int'l, Inc.*, 49 F.3d 807 (1st Cir. 1995), *aff'd* by an equally divided court, 516 U.S. 233 (1996).

[15] The Federal Circuit's important decision in *In re Lowry*, 32 F.3d 1579 (Fed. Cir. 1994), recognized as patent subject matter "an efficient, flexible method of organizing stored data in a computer memory." *Id.* at 1580. (quoting from *In re Bernhart*, 417 F.2d 1395, 1399 (C.C.P.A. 1969), the court disallowed a "printed matter" rejection where the invention required that information be processed by a machine rather than by humans). This is precisely the distinction proffered herein for distinguishing patent from copyright subject matter. The *Lowry* opinion also shows the difficulty of relying on terms like "expressiveness" or "creativity" in making the patent/copyright breakdown. The court notes that the prior art disclosed data models that were either "functionally expressive" or "structurally expressive" and that Lowry's invention sought "to optimize both structural and functional expressiveness." *Id.* at 1580. Thus, it is insufficient simply to conclude that something is "expressive" to make it copyright subject matter. Much patent subject matter can also be labeled "expressive" or "creative." *Id.*

[16] *See* "New Protectionism," *supra* note 7, at 39

B. Patent and Copyright Distinctions

The functionality/nonfunctionality distinction between patent and copyright has not been historically perfect[17] even before computer programs and now, architectural works[18] were taken under copyright's protective wing. It is surely correct to say, however, that copyright has in the main eschewed protection of function in the sense here defined, and judicial and legislative efforts to allow copyright to control markets for functional products have almost always been met with fierce debate.[19] Patent and copyright evolved alongside one another over a period of several hundred years, and yet the protection schemes are very different. There must be some reason other than inertia that the two have coexisted so long. Only functionality explains this dichotomy in a fundamental way. If the distinction between the two primary intellectual property regimes based on functionality is not quite descriptively correct, the aberrant cases are better attributed to the long-standing habit of patent

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[17] Over the years courts have occasionally afforded copyright protection to isolated examples of functional works, in the sense used herein, although these courts rarely evince an understanding that they have actually brought functionality under copyright. A clear example is that of standardized test questions that seek to measure intellectual or psychological traits from human responses to the questions. *See Educational Testing Services v. Katzman*, 793 F.2d 533 (3d Cir. 1986); *Applied Innovations, Inc. v. Regents of the Univ. of Minn.*, 876 F.2d 626 (8th Cir. 1989). Even those skeptical of the value of some of these tests will agree that their purpose is to measure real-world phenomena, and therefore they have a utilitarian purpose (measurement) other than to entertain or inform. Consequently, they are functional in the sense used in this article. Some blank forms and classification schemes also receive copyright protection notwithstanding their functionality as systems for presenting information in a convenient or otherwise more useful form. *Key Pubs., Inc. v. Chinatown Today Pub. Enter., Inc.*, 945 F.2d 509 (2d Cir. 1991) (yellow page classification scheme); *Kregos v. Associated Press*, 937 F.2d 700 (2d Cir. 1991) (template for showing baseball statistics). *See generally* Dennis S. Karjala, "Copyright and Misappropriation," 17 *U. Dayton L. Rev.* 885, 922-26 (1992). But protecting functionality is not the only mistake courts sometimes make in applying copyright to specific fact patterns. A model for managerial decisionmaking for use in training managers is not directly functional, but it is the kind of thing that should be excluded from copyright protection under *Baker v. Selden*, 101 U.S. 99 (1880) and 17 U.S.C. § 102(b) as a system or process. Nevertheless, such a system was held copyright-protectible in *Kepner-Tregoe, Inc. v. Leadership Software, Inc.*, 12 F.3d 527 (5th Cir. 1994).

[18] The recent addition of a separate class of "architectural works" to the statutory list of copyright-protected works means that building designs are no longer subject to the separability test for industrial designs and other "pictorial, graphic, and sculptural" works. Presumably, the long-standing doctrine of *Baker v. Selden* will continue to limit or deny copyright protection to functional aspects of buildings, but only time and the courts will tell us.

[19] Professor Reichman describes at length the debates over the inclusion of industrial design within copyright. J.H. Reichman, "Design Protection in Domestic and Foreign Copyright Law: From the Berne Revision of 1948 to the Copyright Act of 1976," 1983 *Duke L.J.* 1143.

and copyright lawyers to stick to their own fields, where they never had to articulate why there was another statute out there doing apparently the same thing. One would expect the occasional error to creep in around the edges when the subject matter boundaries are only implicit. I am aware of no court or commentator who has articulated any standard for distinguishing copyright and patent court or commentator who has articulated any standard for distinguishing copyright and patent subject matter that comes anywhere near functionality in its power to explain why we continue to have two statutes instead of one.[20] Therefore, I offer as a normative proposition that copyright, with its low threshold of eligibility, vague infringement standard, and long protection period, should not be allowed to trench upon the traditional domain of patent to protect functional aspects of works absent a clearly articulated social policy basis.

In fact, there exists a social policy basis for protecting computer programs, notwithstanding their functional nature, under copyright. That policy, however, also clearly indicates how copyright protection in programs and their interfaces should be limited to avoid upsetting too much the careful balance between copyright and patent that has evolved over time. The next section summarizes this analysis and the conclusions that follow from it.

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[20] Professor Friedman has argued that the patent/copyright boundary is largely determined by whether copying is easy and is easily recognized and independent invention is unlikely. David D. Friedman, "Standards as Intellectual Property: An Economic Approach," 19 *U. Dayton L. Rev.* 1109, 1118 (1994). For a comparison of his approach and that of distinguishing between the two subject-matter areas based on functionality. *See* "A Coherent Theory," *supra* note 7, at 56 n.3. Professor Lunney has expressly rejected functionality as the crucial distinction between patent and copyright subject matter. Glynn S. Lunney, "*Lotus v. Borland*: Copyright and Computer Programs," 70 *Tul. L. Rev.* 2397, 2420 n.70 (1996). In criticizing his analysis, I incorrectly stated that he did not attempt to explain why we have two very different statutes for the protection of the fruits of intellectual creativity. "A Coherent Theory," *supra* note 7 at 65 n.38. Professor Lunney has properly chastised me for this error, for which I now publicly apologize. Indeed, later in his article Professor Lunney supplies an entire section entitled "The Line between Patent and Copyright." Lunney, *supra* note 20, at 2427-2431. Here he argues that the distinction arises from the practical differences involved in copying the creativity embodied in the two types of subject matter. This conclusion seems similar to that of Professor Friedman, although the analysis is considerably different. Even Professor Lunney's analysis concedes, however, that utility served traditionally as an effective proxy for the underlying policy, which he takes to be preventing competitors from obtaining an unfair commercial advantage through copying. *Id.* at 2430. He points out that the advent of computer programs has reduced the accuracy of the traditional line based on utility in implementing the basic policy of promoting fair and prohibiting unfair competition. *Id.* at 2431. Of course, he gets no disagreement from this author on that score. In fact, it is not clear to me that the differences in our analyses are great. Professor Lunney says that the basic policy is the prevention of unfair competition and that functionality, while serviceable in the past, is not up to the job in the digital age. I say that the traditional distinctions are likely there for some good reason, but that unfair competition possibilities in the digital age force us to make some changes (such as protecting unpatentable computer programs from misappropriation). In any event, we seem to come essentially to the same conclusions on the important issues of copyright protection for programs. For example, he would limit copyright to prohibiting competitors from engaging in mechanical and near exact duplication. *Id.* at 2431. While I am not sure that I would go that far with respect to many traditional works, I have long advocated this result for computer programs. *Id.* He also agrees that Borland's copying of the Lotus command structure should not be considered copyright infringement. *Id.* at 2435.

III. ANALYSIS

A. The Proper Role of Copyright in the Protection of Software

How did functional works like computer programs get under copyright? The short answer is that copying of code, including routine code that is ineligible for patent protection, is fast, cheap, and easy even though its initial creation can be expensive and time-consuming. In other words, code is vulnerable to a type of misappropriation to which most other industrial products are not. If a competitor copies a nonpatented machine part, he must still tool up for its production, test its quality, and market his product. A competitor who legally copies a computer program, however, can get into production immediately and can avoid all development and testing costs. One can prattle on for as long as one pleases about the intellectual creativity that is involved in software creation and how well it fits within the formal definition of "literary work" in the Copyright Act.[21] The facts remain that creativity does not and cannot distinguish between patent and copyright subject matter, that computer programs are functional and under the traditional division of labor would have been protected solely under patent and trade secret law, and that formal inclusion of programs as literary works under copyright says nothing about how much copyright protection they should have. I have spelled out in detail many times elsewhere in this argument that it was the vulnerability of program code to fast and inexpensive takings that distinguished program technology from all others and justified its being brought under copyright, so I will not repeat it all here.[22]

Program code's peculiar vulnerability to cheap and accurate copying governs the software protection policy goal under copyright. We should protect against piracy--methods of copying that too greatly upset the traditional balances of legal and nonlegal protection available for works of technology -- without revamping our entire scheme of intellectual property protection for functional works or for technological creativity.[23] This, at least, is the conservative approach, the approach that least disrupts the traditional intellectual property protection balances, especially the delicate balance between copyright and patent.

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[21] "'Literary works' are works ... expressed in words, numbers, or other verbal or numerical symbols or indicia ..." 17 U.S.C. § 101 (1994) (defining "literary works").

[22] *See, e.g.*, "A Coherent Theory," *supra* note 7, at 66-72.

[23] This policy goal is virtually identical to the "market failure" analysis of the authors of the Software Manifesto. Pamela Samuelson et al., "A Manifesto Concerning the Legal Protection of Computer Programs," 94 *Colum. L. Rev.* 2308 (1994). Those authors advocate achieving the policy goal of avoiding market failure (or "piracy" or "misappropriation," as I phrase it) by a sui generis statute, primarily because they believe that elements of programs other than literal code are also vulnerable to incentive-eroding copying. I remain unconvinced that anyone has made the case that noncode aspects of programs are substantially more vulnerable to piracy than any other types of technological products -- which remain protected only by patent and trade secret law. Unless and until that case is made, a proper interpretation of copyright and the other branches of traditional intellectual property law can achieve an essentially socially optimal result without additional

Implementation of this policy leads to the conclusion that the program copyright should protect only the literal code and mechanical or electronic translations of code. Higher level aspects of program structure and design should be considered patent subject matter and protectable under patent law if they meet the stricter patent standards. Fanciful aspects of user interfaces, such as video game characters, should be copyright protected as traditional pictorial or graphic works, independent of the copyright in the program that generates them on a screen or other output device. Other aspects of user interfaces must be protected, if at all, either by trade secret law, by an independent copyright as a pictorial, graphic, audiovisual, musical, literary, or similar traditional work (rather than as a nonliteral element of the computer program), or as a nonobvious technological advance under the patent standards. These conclusions are developed in the remainder of this article. The rest of this Section explains these conclusions with respect to copyright.

1. Program Code and Copyright

Under the United States Copyright Act, a computer program is "a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result."[24] This definition quite explicitly distinguishes between the "set of statements or instructions" constituting the "computer program" and the "certain result" that the program brings about via execution by the computer. The natural reading of this definition leads to the conclusion that the computer program is, quite simply, the code. This straightforward reading, which has been almost wholly ignored by copyright courts caught in the web of reasoning by analogy to traditional copyright cases, has rather important consequences for the scope of protection afforded by the program copyright to so-called "nonliteral elements" of the program and to the protection of program interfaces. For the time being, however, we restrict ourselves to code.

The statutory definitions make clear that code is a "computer program" and, therefore, a "literary work" under copyright. On the other hand, it is equally clear that program code, at least object code, is functional and therefore technological in nature. Electronically stored object code directs the internal operations of a computer without human intervention (except for data input). As a functional work, the traditional functionality limitations of *Baker v. Selden*[25] and the "process" and "method of operation" exclusions of § 102(b)[26] would deny copyright protection. Nevertheless, most code is also routine, in the sense that it represents a straightforward application of standard programming principles and practice to cause a computer to operate to solve a particular problem. Such code would not qualify for patent protection because it is "obvious." Without copyright protection, these programs would be wholly unprotected once widely distributed, and the notion of

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legislation.

[24] 17 U.S.C. § 101 (1994) (defining "computer program").

[25] *Baker v. Sheldon*, 101 U.S. 99 (1880).

[26] 17 U.S.C. § 102(b) (1994).

a computer program copyright would be largely devoid of meaning. This reductio ad absurdum argument indicates a congressional intent both that code be protected by the program copyright, subject to merger, fair use, and similar copyright limitations, and that neither *Baker v. Selden* nor § 102(b) should be applied to exclude code from copyright protection. Otherwise, there would be no copyright protection for code, contrary to obvious congressional intent. Thus, at least to the extent of code, we must infer that Congress recognized implicit exceptions to these fundamental and longstanding copyright exclusions. The whole game under copyright is to decide whether these exceptions for code should extend to other, noncode program elements, such as interfaces or "nonliteral" elements of program structure or organization (often referred to as "structure, sequence, and organization," or "SSO").

2. Program SSO and Copyright

The copyright question is usually posed as whether SSO is protected as a "nonliteral element" of the protected program code. The analogy is to the copyright in a novel or play, which has long been recognized to extend beyond the verbatim language to more or less detailed elements of plot sequence. Most of the proponents of broad program copyrights conveniently forget that copyright in other types of literary works, such as histories, fact works, rule books, and technical works, is much "thinner," limited to verbatim language and close paraphrases thereof.[27] They also usually forget that computer programs are only literary works in form; in substance they are the technology for using computers. Consequently, reasoning by analogy to traditional (nonfunctional) works without resort to policy cannot be expected to lead to sensible results, unless one is a strong believer in luck.

Nobody seriously disputes that SSO is functional. A program is not structured for its esthetic appearance to human beings; rather, it is structured in a particular way for the purpose of making it operate optimally under whatever constraints are imposed -- such as to be faster, more accurate, easier to repair, or to use fewer scarce or expensive resources.[28] The question then becomes, given

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[27] Compare *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49 (2d Cir. 1936), cert. denied, 298 U.S. 669 (1936) (play) with *Feist Pubs., Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991) (factual compilation); *Landsberg v. Scrabble Crossword Game Players, Inc.*, 736 F.2d 485 (9th Cir. 1984) (game strategy); *Miller v. Universal Studios, Inc.*, 650 F.2d 1365 (5th Cir. 1981) (history); *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972, 980 (2d Cir. 1980), *cert. denied*, 449 U.S. 841 (1980) (historical theory); *Rosemont Enter., Inc. v. Random House, Inc.*, 366 F.2d 303 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009 (1967) (biography); *Continental Cas. Co. v. Beardsley*, 253 F.2d 720 (2d Cir. 1958), *cert. denied*, 358 U.S. 816 (1958) (legal form).

[28] Even the notorious Whelan case recognized this point:

> A program's efficiency depends in large part on the arrangements of its modules and subroutines; although two programs could produce the same result, one might be more efficient because of different internal arrangements of modules and subroutines. Because efficiency is a prime concern in computer programs (an efficient program being obviously more valuable than a comparatively inefficient one), the arrangement

that copyright protects code functionality, should it also protect SSO functionality? Congress has not addressed the question, so we might begin by looking to underlying policy, especially the policy that patent is the norm for intellectual property protection of functional (technological) subject matter.

If we recall that we brought functional program code under copyright because of code's peculiar vulnerability to misappropriation, we can ask whether program SSO functionality is similarly vulnerable. This is not the forum to attempt a detailed answer, but at a minimum it should be obvious that program structure is much more difficult to extract and understand for use in a competing product than the literal code itself, especially if source code is not readily available. Moreover, even when a skilled programmer has learned the new and better SSO, he or she must write copyright noninfringing code to effect the desired result of program execution and must then further test, debug, and market. No one has shown that these "reverse engineering" steps leave computer programs any more vulnerable to misappropriative copying than any other technological product (given that code is protected against copying).

There is, therefore, no policy reason to protect program SSO functionality under copyright. Moreover, while Congress has directed the inclusion of computer programs under copyright, there is no indication one way or another that Congress intended program copyright protection to extend to program SSO. Indeed, standard application of the functionality doctrine of *Baker v. Selden* and the "system," "process," and "method of operation" exclusions of § 102(b) argue to the contrary, until Congress becomes more explicit that it intends to carve out another exception to these fundamental exclusions. Consequently, there are no compelling statutory or technical reasons for including SSO under the copyright umbrella.

The copyright case law, via *Computer Associates v. Altai*,[29] has effectively reached this result by filtering out of the copyright infringement analysis program elements determined by "efficiency." Unfortunately, most judges do not yet realize the logical implications of *Computer Associates* and continue to go through its complex "abstraction, filtration, comparison" process, vainly seeking to resolve, without a concrete standard, the metaphysical question of separating "expression" from "idea" at each level of abstraction they find in a program. In fact, a court that applies the *Computer Associates* filters honestly will soon realize that everything in the SSO is present for the purpose of making the program function better, that is, for efficiency reasons. Consequently, under *Computer Associates*, after filtering for efficiency there is very little, if anything, to protect besides the code.[30]

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of modules and subroutines is a critical factor for any programmer.

Whelan Assocs., Inc. v. Jaslow Dental Laboratory, Inc., 797 F.2d 1222, 1230 (3d Cir. 1986).

[29] *Computer Assoc. v. Altai*, 982 F.2d 693, 707 (2d Cir. 1992).

[30] *See* "A Coherent Theory," *supra* note 7, at 77-83.

3. Interfaces and Copyright

The copyright protection of computer program interfaces, and user interfaces in particular, requires special attention. Nearly all courts dealing with the problem under copyright to date, including courts that reach conclusions comporting with the analysis propounded herein, have treated interfaces simply as a "nonliteral element" of the computer program generating (or implementing) the interface. This treatment assumes away the fundamental question of whether a particular interface, as such, constitutes copyright subject matter. In fact, the definition of a computer program in the Copyright Act clearly distinguishes between the set of statements or instructions constituting the program and the "certain results" that are achieved by execution of those statements and instructions.[31] All program interfaces, moreover, are a crucial part of what the actual program does, that is, a part of the "certain result" that operation of the program brings about. The code is written in such a way that, when executed, the computer presents the interface to the outside world (which includes, besides human operators, other programs and hardware). While the program runs, the computer responds as designed to input signals and produces output signals reflecting the end product of its programmed operations.[32] Consequently, under the statutory definition, interfaces are not covered by the program copyright. If interfaces are to be copyright protected, therefore, they must somehow qualify independently as copyright subject matter.

In fact, some aspects of user interfaces may constitute copyright subject matter, such as screen displays (graphic or pictorial works) or "Help" text (literary works). These would be copyright subject matter even if programs were not a part of the copyright picture at all. However, as traditional works, copyright-protected interface elements are subject to the traditional copyright limitations and exclusions, such as merger and, most importantly, § 102(b)[33] as well as the functionality exclusion of *Baker v. Selden*.[34] Congress has implicitly eliminated the application of both *Baker* and § 102(b) to program code, but there is no reason to assume that Congress intended special treatment for traditional categories of works just because they are produced by execution of program code instead of by traditional implements like typewriters or paint brushes.

It will be objected that all this theory is well and good but the courts have already gone down a different path, treating interfaces as nonliteral elements of copyright-protected computer programs. The response is that many courts are getting the correct answers, anyway, if not for precisely the right reasons. Thus, the First Circuit in *Lotus v. Borland*[35] properly denied copyright protection for functional elements of a user interface as an unprotected "method of operation" under § 102(b) without addressing the subject-matter question. The Tenth Circuit in *Mite, Inc. v. IQTel, Inc.*[36] at least got the right answer by denying similar protection on the ground that the challenged elements of the interface were determined by standard programming conventions or dictated by external functionality and compatibility requirements. Consequently, it remains only to supply the right reasons for these denials of copyright protection to bring some coherence between doctrine and holdings.

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[31] *Id.*

[32] *See* "A Coherent Theory," *supra* note 7, at 96-99.

[33] 17 U.S.C. § 102(b) (1994).

[34] *Baker v. Seldon*, 101 U.S. 99 (1879).

[35] *Lotus Dev. Corp. v. Borland Int'l, Inc.*, 49 F.3d 807 (1st Cir. 1995), *aff'd* by an equally divided Court, 516 U.S. 233 (1996).

As a policy matter, there is no reason to protect functional aspects of interfaces under copyright. This is particularly true if these elements are treated as patent subject matter, so that nonobvious advances in the technology of interface design can seek protection for specifically claimed inventions by that traditional route. The Eleventh Circuit has explicitly recognized the importance of separating between program elements protected by patent law and elements protected by copyright:

> It is particularly important to exclude methods of operation and processes from the scope of copyright in computer programs because much of the contents of computer programs is patentable. Were we to permit an author to claim copyright protection for those elements of the work that should be the province of patent law, we would be undermining the competitive principles that are fundamental to the patent system.[37]

Sooner or later, courts are likely to understand the full meaning of this message, at least if patent law recognizes that it, too, has an important role to play in the overall scheme of software protection. If patent law tries to dodge the issue of protecting functional elements of interfaces, however, we can expect courts worried about misappropriation of perceived creative invention to apply copyright to the problem. The result would be broader protection of interface technology than patent would offer, for extremely long periods, and without any demonstration to an expert examiner (or anybody else) that the technological advance is even new, let alone nonobvious.[38]

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[36] *Mitel, Inc. v. IQTel, Inc.*, 124 F.3d 1366 (10th Cir. 1997).

[37] *Bateman v. Mnemonics, Inc.*, 79 F.3d 1532, 1541 n.21 (11th Cir. 1996). Later the court said, "In no case ... should copyright protection be extended to functional results obtained when program instructions are executed and such results are processes of the type better left to patent and trade secret protection." *Id.* at 1547 n.33. *See also MiTek Holdings, Inc. v. Arce Eng'g Co.*, 89 F.3d 1548, 1556 n.19 (11th Cir. 1996) (cautioning against recognizing copyright protection for user interface elements that constitute a process and therefore patent subject matter).

[38] Recall the language of *Baker v. Selden*, 101 U.S. 99, 102 (1879):

> To give to the author of the book an exclusive property in the art described therein, when no examination of its novelty has ever been officially made, would be a surprise and a fraud upon the public. That is the province of letters-patent, not of copyright. The claim to an invention or discovery of an art or manufacture must be subjected to the examination of the PTO before an exclusive right therein can be obtained; and it can only be secured by a patent from the government.

Id.

B. The Proper Role of Patent in the Protection of Software

My goal here is to describe a normative standard of what patent law should protect when it is faced with claimed technological advances in the art of computer software. The case law has been very adequately explained and analyzed by other contributors to this symposium, and it is not necessary to reiterate much of that here.[39] Nor will I attempt to deal with technical fine points, such as the different enforcement possibilities between apparatus and process patents.[40] I believe that it is first necessary to establish the normative framework. Once that framework is clear, we can turn to implementation details, such as revising the Guidelines[41] or amending the statute.[42]

1. Distinction between Computer Program Innovation and Computer-Related Inventions

The real open issue with which we should be wrestling now is the patent protection of computer programs as such. Claims like those in *Diamond v. Diehr*[43] raise only the issue of computer-related inventions, that is, inventions in which a programmed computer is used as a part of some larger system or device. Computer-related inventions, like that involved in *Diehr*, should continue to constitute patent subject matter and will presumably continue to be tested for patentability by the traditional rules. Thus, if there is no claim to a specific program or programming technique but only to an invention that has a "means for" element disclosed in the specification as a programmed computer, the program itself is not the subject of the patent; rather, the programmed computer together with the other elements of the claim are the subject of the patent. If the patent is valid, any computer programmed to do the same thing in conjunction with the other elements will infringe, even if the second program is completely different from the first.

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[39] Another excellent analysis of the development of software patents is Julie E. Cohen *supra* note 9, at 1152-63.

[40] Professor Thomas' contribution to this symposium cogently makes the point that this distinction is now largely a matter of drafting in any event. To the extent he is correct for computer program technology, the case is all the stronger for deciding the policy issue of what should be protected by patent law, and to what extent, before delving into the technical details to determine whether those results obtain under current law and practice or whether some modifications are necessary.

[41] *See* Vincent Chiappetta, "Patentability of Computer Instruction as an "Article of Manufacture:" Software As Such As The Right Stuff," 17 *J. Marshall J. Computer & Info. L.* 89 (1998).

[42] Lee A. Hollaar, "Justice Douglas Was Right: The Need for Congressional Action on Software Patents," 24 *AIPLA Q.J.* 283 (1996)(recommending statutory amendment explicitly treating program implemented processes as statutory subject matter).

[43] *Diamond v. Diehr*, 450 U.S. 175 (1981). *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994), also involved a claim to the use of some algorithmic calculation by computer for smoothing lines on oscilloscope screens. The disputed claims did not involve the particular program that implemented the algorithm, and the claims necessarily included limitations defined by the associated hardware and field of use. The facts of *Parker v. Flook*, 437 U.S. 584 (1978), also place that case in this category, notwithstanding that the Court denied patentability there under 35 U.S.C. § 101 (1994).

What we need to do now is consider the patentability of the program itself, independent of associated hardware, other software, or field of use limitations. The absence of this issue from the patent cases is probably attributable to their 20-year emphasis on the metaphysical "subject matter" question under 35 U.S.C. § 101. *Beauregard*[44] and the recent Guidelines[45] have now largely eliminated this fruitless subject matter inquiry and force us to focus on the actual program. The subject matter question is still with us, but in a more tractable form, namely, does the claimed invention involve technology, as opposed to an "abstract theory" or "law of nature." By "technology" I mean the application of natural laws and the principles of science to accomplish some utilitarian function (useful result in the physical world) other than to inform or portray an appearance to human beings.[46]

Consider a simple example. Suppose the Pythagorean Theorem is newly discovered. Everyone agrees that such a theorem is not patent subject matter because it is "abstract theory" that is not yet applied to the physical world. If someone creates a mechanical device, however, that accepts numerical inputs for the lengths of two sides of a right triangle and grinds out the length of the third side making use of the new formula, the machine, as such, is patent subject matter. The technological advance, if there is one, is in implementing the formula in mechanical elements. If implementing mathematical formulas mechanically is a well established art, no patent would issue for the machine unless the inventor shows a new and nonobvious advance in that art. If a patent issues, its validity should not be affected if someone uses the device other than to make calculations not directly related to the sides of triangles, and indeed anyone making an equivalent device for some such other purpose would be an infringer. In any event, the theorem itself, being nontechnological, adds nothing to the patent claim for a technological advance. In essence, this is the old "point of novelty" approach to patentability, but addressed under 35 U.S.C. §§ 102 and 103 instead of 35 U.S.C. § 101.[47]

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[44] *In re Beauregard*, 53 F.3d 1583 (Fed. Cir. 1995).

[45] Guidelines, *supra* note 6.

[46] *Id*. For the reasons discussed in the cited note and text, this definition of "technology" fits most comfortably with patent subject matter in the form of machines or articles of manufacture rather than "processes." I do not propose to try to resolve here the question of what processes are technological and what processes are not except insofar as a computer program may be said to be, or to implement, a process. The issue before the symposium is the patentability of computer programs, and this definition of technology suffices to bring the patentable elements of computer programs to the surface.

[47] I am indebted to a number of exchanges with Professor Chiapetta for allowing me ultimately to focus in on this example and its implications for the patentability analysis. Professor Cohen has earlier made an argument very similar to that presented here, namely, that 35 U.S.C. §§ 102, 103 (1994) of the Patent Act permit the dissection of program-invention claims into statutory and nonstatutory elements in a way that an ordinary subject-matter inquiry cannot achieve. Cohen, *supra*

The same analysis can be applied to an electronic device that uses computer software to solve a newly discovered equation or "abstract theory" of mathematics or science. The device (the programmed computer) is a "machine" and, therefore, patent subject matter. The technological advance, if there is one, must lie in implementing the theory in program code. If writing program code is a well established art, as it is, a patent should issue only if the inventor shows that he or she has written code that qualifies as a new and nonobvious advance in that art. No patent should issue if the programmer simply applies straightforward programming principles or practice to the well understood art of solving mathematical problems on computer. That the theory being implemented is new or nonobvious adds nothing to the patent claim for a new and nonobvious advance in computer-use technology. On the other hand, if a patent is issued for a new and nonobvious advance in the art of computer programming, anyone else who employs that advance in a computer program, even a program that achieves a different overall result, should be deemed an infringer.

I recognize that real life will necessitate some difficult conceptual line drawing in determining whether a claimant has actually invented new computer-use technology that is patent subject matter or has rather discovered a mathematical idea or "abstract theory" that is not patent subject matter. This general problem is not new to patent law and, indeed, has been a subtheme (sometimes inarticulated) in the program patent cases. However, given that mathematicians solve most formulaic problems by the use of algorithms, and given that computer programs themselves are algorithms for processing the same kinds of symbols that mathematicians have always processed through their "mental steps" algorithms, it may often be difficult to separate the one from the other, especially if they come dressed up in skillfully drafted claim language.

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note 13, at 1168-75. She supports the adoption of Richard Stern's "innovative programmer" standard, pursuant to which both mathematical algorithms and general purpose computing equipment are taken as part of the prior art. The nonobviousness issue then becomes whether the claimed invention would have been obvious to a person of ordinary skill who (a) knew the algorithm, (b) desired to accomplish the given task, and (c) desired to do so with the aid of a computer. *Id.* at 1169. Professor Cohen concludes:

> A mathematical algorithm expressed digitally, though not patentable, may be new; general purpose computing equipment is not even that. We are fast approaching an era in which any industrial function can be directed by a general purpose computer with the appropriate software. As with any other useful art, the patent laws should reward only genuinely new and nonobvious advances in the application of computer technology, not the comparatively mundane, though complex, process of adapting a general purpose computer to a particular use with existing programming techniques.

Id. at 1174.

I am indebted to Professor Mark Lemley for reminding me of Professor Cohen's important earlier work on the question here addressed. Professor Moy's contribution to this Symposium argues that if the Patent Office "blue pencils" a nonstatutory part of a hybrid claim but still finds that the claim can surmount the 35 U.S.C. § 101 hurdle, it should not allow later consideration of the excised portions of the claim in making novelty and nonobviousness determinations under 35 U.S.C. §§ 102 and 103. This conclusion too seems similar to those of Professor Cohen and those presented herein.

An example based on *Diehr*[48] may be helpful in focusing on the problem. As all patent lawyers know, the claimed invention in *Diehr* involved a rubber molding process that monitored the temperature inside the mold and fed the temperature measurements to a computer for nearly continuous real time recalculation of the cure time for the rubber inside the mold and for a signal to open the mold at the proper time. The computer was programmed to calculate the cure time using the Arrhenius equation, the use of which was not novel in the art of rubber curing. The actual invention, therefore, was continuous monitoring of temperature and real time recalculation of the cure time. This claim, as discussed above, does not involve a claim to the computer program, but only to the process of using a programmed computer in industrial rubber curing.

Suppose now, however, that the process in *Diehr* is in fact one that is well known in the field, including the use of a computer to solve the Arrhenius equation. Our hypothetical invention involves a new algorithm for solving the Arrhenius equation that speeds up the process enormously. This allows more nearly continuous monitoring and recalculation and, let us assume, more accurate gauging of the cure time. Two questions arise: (1) Is this algorithm patent subject matter, and if so it is patentable? (2) Is its programmed implementation patent subject matter, and if so is it patentable? A third question is perhaps whether it is possible to distinguish between the algorithm and its programmed implementation.

The algorithm itself, independent of whether it is implemented on a computer, is a process that calculates numerical results from numerical inputs. However, without the computer, there is no application of the algorithm to technology, so we would conclude that it is abstract theory and not patent subject matter, just as we would for newly discovered means of calculating the sides of right triangles or the solution of the quadratic equation.[49]

There is now no subject matter issue in the second question, given that the program is embedded in a computer-readable medium. The harder question of patentability comes down to whether the programmed implementation evinces a novel and nonobvious advance in computer-use technology. Conceptually, the analysis would seem to proceed as follows: to the extent that the algorithm simply serves as the "specification" for the programmer, the algorithm is no more applied technology than a specification to design a computer game with a character that looks like Mickey Mouse. The programmer is told, "Here is the algorithm. Write a computer program that accepts inputs in this form and applies the algorithm to solve the Arrhenius equation." If the programmer applies straightforward programming techniques to solve this admittedly new problem, the program does not result in patentable technology. Not because the program as a whole is not patent subject matter but rather because, as computer-use technology, it contains no patentable invention.

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[48] *Diamond v. Diehr*, 450 U.S. 175 (1981).

[49] On the other hand, algorithmic mathematical models of real life applications of natural laws arguably should be considered processes constituting patent subject matter independent of their implementation as software. Irah Donner, "Patenting Mathematical Algorithms That 'Embrace' Mother Nature," 9 *Computer/L. J.*, No. 5, at 1, 12-13 (1992). I make no attempt to resolve this problem, because its resolution does not affect the analysis of the proper scope of patent protection for computer programs as such. Professor Chiapetta's paper, as I understand it, recommends modifying the Guidelines to insure that this type of claim is made as a process independent of computer implementation. This would help immeasurably in holding the necessary distinctions in mind between computer-use technology and more general processes.

On the other hand, the algorithm may be of a different type. The programmer is told, "Here is the Arrhenius equation. Write a computer program that accepts inputs in this form and solves it as fast as possible." The programmer takes a look at what others have been doing to solve the Arrhenius equation in rubber molding, reads the computer science literature for suggestions on how to solve mathematical equations generally (or even the Arrhenius equation in particular), and writes a program that uses novel and nonobvious programming techniques or methods that cause the computer to solve the equation much faster than it would have under traditional programming techniques. Presumably much of her program will be standard code, but her novel techniques constitute a nonobvious advance either in solving the Arrhenius equation or in solving mathematical equations in general by computer. These techniques should be patentable, provided she can articulate them in a patent claim that can be understood and implemented by others who wish to write similar programs.

This analysis requires that we distinguish between a computer program implementing an algorithm and the implemented algorithm itself. Only the former is potentially patentable computer-use technology. It seems possible, perhaps even likely, that this distinction will prove to be at least as elusive as the famous copyright distinction between protected "expression" and the unprotected "idea" expressed. Nevertheless, the difficulty of drawing the line in specific copyright cases does not relieve us of the obligation to do so. In copyright, the idea/expression distinction has long since ceased to have much analytical power and serves primarily as a descriptive general rule for separating the things that courts have determined on policy grounds to be protected or not protected by a copyright. But for the vast run of cases, we know fairly well where we are, and new cases are decided by analogical reasoning to prior cases dealing with similar subject matter.

Presumably, a similar development will be necessary in the patent protection of programs. In this respect, however, patent law has some important advantages over copyright, which gives hope that the period of confusion will not last too long. Patent law requires a precise statement of the claimed invention, which is a concept almost entirely foreign to copyright.[50] If the novel and nonobvious techniques that are claimed as the invention are only useful when implemented by computer, the claim will have to include the computer as a limitation.[51] As long as such a limitation is a part of the claim, there is no danger of the patent's "preempting the algorithm." Indeed, depending on the nature of the invention and the state of the prior art, the claim may have to be limited to the field of rubber curing. With time, the PTO and the courts should be able to develop fairly reliable indicia for distinguishing between the aspects of potentially patentable computer-implemented algorithms that truly are computer-function enhancing as opposed to clever but unpatentable new ways to break down the mathematical formula into pieces that enhance our ability to solve it independent of computer assistance.

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[50] A few copyright software cases have suggested that courts could, and even should, require the copyright owner to specify the original and non-17 U.S.C. § 102(b) (1994)-excluded elements that she deems to have been infringed. E.g., *MiTek Holdings, Inc. v. Arce Eng'g Co.*, 89 F.3d 1548, 1555 (11th Cir. 1996). Other cases are discussed in "A Coherent Theory," *supra* note 7, at 109 n.211.

[51] Again, Professor Chiapetta's paper seems to come to essentially the same conclusion, but with slightly different reasoning. *Id.*

The following subsection attempts to make the analysis of programs as computer-use technology more concrete by considering the kinds of things that have been coming up for years now in the copyright cases: code, SSO, and interfaces.

2. Computer Programs and Patent Law

A fundamental point bears repetition: computer programs are technology -- the technology for using computers to accomplish such tasks as word processing, industrial plant management, or scientific research. Computer programs are written for the purpose of causing a general purpose computer to take on specific characteristics for interacting with human operators, with hardware, and with other software. Together with inputs from these interacting entities or parties, programs cause the computer to perform a particular task or set of tasks. While human beings can read and understand computer programs when written in source code, no one reads code unless it is to understand the program for repair or improvement purposes or to learn how to write better programs. Moreover, while the program may be constructed in part with a view to subsequent need for repair or improvement by persons other than the original designer, this is no different from designing an automobile with a view to easier or less expensive repair when parts fail. The underlying purpose of the program, or the auto, is not to communicate with human beings. Rather, the underlying purpose is to perform nonhuman work, in the case of the computer, in the form of rapidly combined and distributed electronic signals.

Computers, at least at present, do not "read," "interpret," or "understand" computer programs. No combination of anthropomorphic language changes the simple fact that computers process electronic signals according to the laws of physics. Because humans are able to place combinations of these signals in a one-to-one correspondence with binary numbers, and because we have invented logic circuitry that "operates" on binary signal inputs to produce results that mimic those achieved by such human mental operations as addition and subtraction, we interpret the computer's actions as "information processing." The computer, however, is simply doing what comes naturally, that is, what it is forced to do by the laws of nature.

Given, then, that computer programs in general are the technology for implementing tasks on computers, should there be limits on the availability of patent protection for them beyond the requirements of traditional patent law, usefulness, novelty, and nonobviousness? The following subsections address this question separately for program code, SSO, and interfaces.

a. Patent Protection for Code

Program code is computer-use technology in its most basic form. If code is to be denied patent protection, that denial cannot be based on the ground that code is not patent subject matter. Source code represents a process for converting input signals into output signals, both of which signals have real world meaning.[52] Moreover, code stored electronically on a diskette, hard disk, or CD-ROM is literally a machine part. Consider a hypothetical "all-purpose vehicle" that allowed substitution, by insertion in a "slot" under the hood, of different "black boxes" that somehow converted the vehicle from gasoline to diesel, or from automobile to power boat, or (since we're getting whimsical) from automobile to airplane or to typewriter or to video game, depending on the particular black box we insert. Each of these black boxes contain innards constructed of traditional mechanical parts; levers, pulleys, gears, and so forth. No one would assert, I assume, that these black boxes do not constitute patent subject matter. Rather, in determining patentability, we would look at claims directed to the inner workings of the boxes and ask whether a novel and nonobvious advance in the art of constructing such black boxes had been effected. If a particular claim was of sufficient generality that it could improve the operation of many different types of these black boxes, regardless of whether they made the all-purpose vehicle "airplane" or "typewriter," we would not require that the inventor specify any particular field of use to which the invention would be confined; the claim would cover any use of the same invention in a black box to be used in the all-purpose vehicle.

Program object code on a diskette is every bit as much a machine part as these hypothetical black boxes. In its executable form, the code exists as physical signals (high or low voltages or magnetic field strengths), not as ones and zeros that may be readable by humans.[53] These physical signals may be used directly by the computer in the course of operations. For reasons of operational efficiency, however, these program signals are usually not directly used by the computer but rather are transferred from the diskette to other parts of memory (usually with the intervention of storage on a hard drive), but the transfer is one to one and exact. After the transfer has occurred, the program is again stored as physical signals that directly govern computer operations from RAM according the to laws of physics. Consequently, while today the program does not directly govern computer operations from the diskette, its exactly transferred copy does. A computer does not have to copy the program from diskette and store it in RAM to operate. It just operates more efficiently if it does so, so it would exalt form over substance to base patentability distinctions on how the hardware interacts with the program instead of on the nature of the program itself.

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[52] Professor Hollaar recommends statutory amendment explicitly making processes implemented by computer programs patent subject matter, to avoid the judicial interpretation that a patentable process requires some change of physical state. Hollaar, *supra* note 44, at 297-98. As discussed in the text, the computer program represents a process for converting physical signals from one form to another, and those conversions are useful to human beings in the same way that a mechanical calculator is useful to human beings by converting signals with similar meaning and interpretation. While the latter is technically a "machine," both are equally "useful" to humans in exactly the same way. It simply cannot be correct as a matter of social policy that innovation in the second area is patent subject matter but not the first. I should think that would be sufficient to end the argument of whether this process is statutory, but if statutory amendment is necessary to get to this result, then by all means let us do so.

[53] Professor Jim Chen has reminded me that analogy to DNA technology is apt here. A geneticist can "read" a base sequence as CAGGTCA, for example, which is a string of human-understandable symbols (and technically a "literary work" under the Copyright Act). Nature, however, neither knows nor cares about these labels. The actual biochemical processes that take place, whether naturally or in the laboratory, result from the unique physical structures of these four molecules. A particular sequence can result in the production of a protein because the sequence presents a specific molecular structure to the cell environment that serves as a physical template for such production. *See generally* Dennis S. Karjala, "A Legal Research Agenda for the Human Genome Initiative," 32 *Jurimetrics J.* 121 (1992 Special Issue). We humans greatly increase our understanding of and ability to manipulate these processes by thinking of the actual molecular sequences as strings of A, C, G, and T bases, but we must be careful not to confuse these abstract labels with the underlying physical reality.

Therefore, any denial of patent protection for electronic-form object code cannot rest on the absence of direct functionality of code or on a purported distinction between code and traditional patent subject matter. And given that electronic-form object code is simply a physical and obvious manifestation of source code (it is source code run through a compiler), there is no fundamental difference between new and nonobvious object code that makes a computer work better and new and nonobvious source code that, when compiled, makes the same computer work better in exactly the same way. Indeed, because programmers write programs in source code, all of the human "invention" actually occurs at that stage, even though it is physically manifested only in electronic-form object code.

Therefore, this whole subject matter debate for program code never really should have started. The problem for program code under patent law is not that it is not patent subject matter. Rather, even as patent subject matter, programming in its mature state may be a kind of technology in which nonobvious advances are rare. Most programs, although often the result of the input of vast quantities of time and money, are simply straightforward application of well understood computer science principles and techniques.[54] If, as Congress has assumed, programs must be protected from misappropriation in order to encourage the investment needed for their development, patent law does not do the job. That is why we went to copyright for protection of code. The question is whether patent protection for code should also be possible.

The Guidelines would apparently protect code as such, provided it is claimed as a "computer readable medium encoded with a computer program."[55] We should ask whether it makes any sense to protect the same thing under both patent and copyright. In fact, patent protection that is truly limited to nonobvious advances in the art of writing specific code in a specific programming language may not be a bad idea. Copyright law's merger doctrine would likely not protect specific code sequences that are uniquely useful or efficient,[56] and this is presumably the kind of code, if it exists at all, that one would have to have in order to show a nonobvious and therefore patentable advance. The Patent Office should recognize patentable code only in rare and unusual circumstances, however. Copyright protects code in general, and we should leave it to copyright to figure out how to draw the appropriate social policy balances between protection and free use, at least absent clearly demonstrated technological invention.

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[54] At least one commentator has argued that implementing a well defined process in a programming language is always obvious and therefore nonpatentable. G. Dukarich, "Patentability of Dedicated Information Processors and Infringement Protection of Inventions that Use Them," 29 *Jurimetrics J.* 135 (1989).

[55] Guidelines *supra* note 6, 61 Fed. Reg. at 7482.

[56] *Bateman v. Mnemonics, Inc.*, 79 F.3d 1532, 1545 (11th Cir. 1996) emphasized that filtration to eliminate unprotected elements must occur at both literal and nonliteral levels. *See* "A Coherent

b. Patent Protection for SSO

SSO is also technology. No one designs or structures a computer program so that it appeals to the esthetic taste of humans. While some aspects of SSO may be described by professionals as "creative," "beautiful," "elegant," or words of similar import, this terminology only reflects their way of expressing praise at a design that works well to achieve its purpose within the given constraints.[57] A program is structured to make it work better, where "better" means optimizing the desired characteristics as constrained by the environment in which the program is to operate. That a particular solution may be described by aficionados as "elegant" cannot affect its status as patent subject matter.

Given the role of SSO in determining program quality, there is no reason to deny patent protection, at least as a question of patent subject matter. Of course, now that computer programming is a mature art, there may be few nonobvious new ways of organizing or structuring programs that will qualify. In any event, the claim would have to be directed toward a new and nonobvious way of constructing, structuring, or organizing program elements (including, for example, the construction of data files) that has the useful effect of causing the computer to operate in the claimed (improved or better) manner. New and nonobvious sorting techniques that improve on what programmers were using before should be patentable. Object-oriented programming, if it was the invention of a single person instead of the end result of lots of incrementaldevelopment, may represent the kind of fundamental development in programming methodology that should have

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Theory," *supra* note 7, at 89-90, for a discussion of how to distinguish between protected and unprotected code under copyright. The conclusion there is that functionality, as such, cannot be a bar to copyright, because all code is functional, but that merger should apply in the usual way and that some sort of efficiency filter may also be necessary.

[57] *See* "Reverse Engineering and Professor Miller," *supra* note 7, at 997 & n.66. The cited footnote illustrates the point with quotes from a materials science series aired on Public Television, which repeatedly compared materials researchers to artists in the way they work, creating new materials that are "stronger, harder, lighter, and smarter" than any we have seen before. Clearly these new materials are patent subject matter. Yet, the series closes with these words about materials scientists: Without their dreams there is no progress, no true science. We wait and watch as they stretch their imaginations and artistry, like Michelangelo with his marble, Matisse with his cutouts, or Aeschylus with his quill. *Id.* As discussed earlier, imaginative or artistic creativity does not distinguish between patent and copyright subject matter. Nor does application of the language of art appreciation to technological advances affect the status of those advances as patent subject matter.

constituted patent subject matter.[58] The data structure in Lowry[59] would qualify, at least as far as subject matter is concerned. New programming languages should also be considered candidates for patent protection, at least if their inventor shows that the new language is capable of being compiled for actual use in a computer. A new language, like Java, is a methodology for writing computer programs. Such a language is also the user interface of the program code that serves as its compiler or interpreter. As the next subsection shows, it could also be considered a technological aspect of that program's interface and would also constitute patent subject matter as such.

Since an SSO claim is to a methodology, a way of putting computer programs together, it should not matter whether the program or technique is actually implemented in a working program on a "computer readable" electronic medium or is written out in source code or even described on paper in ordinary English. If the claim is to an article of manufacture as object code on a diskette or similar medium, it is still only the new methodology for grouping, arranging, and causing interaction among program elements that is the new and nonobvious advance. Only that advance should be covered by the SSO patent. In this sense, the PTO requirement that the program be embedded on some physical medium in executable form reflects a misapprehension of the nature of the invention, notwithstanding that it does at least get us over the incoherent subject matter hurdle that has impeded intelligible discussion of software protection for such a long time.[60]

This view of patentable SSO narrows the patent protection in a program to those elements of structure or organization implemented in the program that are novel and nonobvious advances in the art of programming. While it is unlikely that very many such advances appear in the vast run of popular programs on the market, if such an advance is invented, there is no reason to tie the new methodology to a field of use simply to get over the subject matter barrier. A mechanical or hardwired electrical calculator is patent subject matter, regardless of whether it is used to calculate stock prices, count oranges, or solve differential equations. Similarly, a program on diskette that implements the new methodology may use that methodology for word processing, business operations, or video games. It is the methodology that is the subject of the claim, unless for other reasons the claim is limited to a field of use.

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[58] This assumes that object-oriented programming, or some similar methodology, can be specified sufficiently concretely to enable others to make use of it in creating actual programs, so that it drops from the realm of abstract idea into implementable technology.

[59] *In re Lowry*, 32 F.3d 1579 (Fed. Cir. 1994).

[60] Professor Chiapetta's contribution emphasizes the important differences between claiming an invention as an article of manufacture or as a process, and I do not mean to trivialize these differences. Professor Thomas' contribution, however, shows how easy apparatus and process claims can "morph" into one another. If I ignore these differences here, it is to emphasize the primacy of clarifying the basic subject matter question for the various elements of computer programs. Once we agree which of these elements are patent subject matter and which are not, we can set about classifying them as articles of manufacture or processes in ways that seem sensible, perhaps even tweaking the statute in the manner suggested by Professor Hollaar. *See* Hollaar, *supra* note 42. However we end up classifying programs for patent purposes, it should be clear that, while executable code fits comfortably within a general understanding of a machine part, see the discussion *supra* in the text accompanying note 52, the essence of any noncode invention in a program is fundamentally a process or methodology.

SSO technology easily fits within the traditional conception of patent subject matter, when properly apprehended as the technology for creating computer programs that are themselves the technology for operating computers. Moreover, as a normative policy matter, SSO should be considered patent subject matter. If it is not, increasing pressure will be brought to bear to bring copyright into the picture.[61] This will result in protection of all original SSO, whether or not nonobvious or novel, under copyright. Such a development could have a large negative impact on the advance of technology. First, the copyright term is seventy five (and proposed to go to ninety five) years.[62] Moreover, the copyright standard for infringement is "substantial similarity," so any programmer who has seen another program's structure is prohibited from using it or anything substantially similar to it, regardless (at least arguably) of technological efficiencies and regardless of whether the structure in question makes any advance in SSO technology that would meet the traditional standards for a twenty year patent.[63]

On the other hand, if SSO is patent subject matter, then we need only worry about tying up new and useful SSO for 20 years, that which will be tied up will be specified precisely in the claims, and (at least in principle -- but we must encourage the PTO to be vigilant) only significant advances in SSO technology will pass muster. The rest will be free for further incremental improvement by all programmers. These fundamental differences between the way patent and copyright law provide incentives for their respective traditional subject matters exist for good reason. Except for the peculiar vulnerability of program code to misappropriation through copying, programs are no different from any other technological subject matter. Patent law is the field that has been designed to protect technology. Patent law must, therefore, take up the cudgel and do its job.

c. Patent Protection for Interfaces

Program interfaces require special attention because they can involve both functional and nonfunctional aspects. Interfaces are the doors and windows through which users, other software, or hardware communicate with the program. Interfaces are analogous to lock and key arrangements, nut and bolt arrangements, control panels, and the like. For most programs, interface design is considered separately from the coding, and in that abstract sense the interface has an existence independent of the particular code implementing it.[64] On the other hand, this abstract interface design does not exist in the physical world until program code has been written that defines and implements the interface in accordance with the design.[65] Once the interface is implemented in code, the user, whether that be a human being or another computer or program, must use the operational aspects of the interface in the way required by the program or the program will not work properly.

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[61] Hollaar, *supra* note 42, at 289. For many years I and many copyright colleagues such as Professors Pamela Samuelson, Peter Menell, and Jerome Reichman have been strenuously arguing that copyright should not extend too far beyond literal code because of copyright's fundamental misfit with functional works and because patent is potentially available for truly innovative noncode aspects of software. Now it the time for patent law to to back us up!

[62] While that may seem well beyond the useful life of most programs, we should remember that much mainframe operating software is, or is derivative from, software that is over thirty years old. Moreover, whether it is Microsoft or some other company, it seems likely that somebody will end up with a single dominant operating system for most of the world's PC's. Copyright protection may essentially impede competition in this market in perpetuity.

[63] The doctrine of "unconscious copying" means that if a program structure has been discussed in public or published, no subsequent programmer using that or a similar structure can be sure he or she is not infringing.

The easiest interfaces to deal with as far as the patent subject matter question is concerned are those that are invisible to the human user, such as communication protocols. As discussed above,[66] unless an interface element can independently qualify under § 102(a) of the Copyright Act, it is not copyright subject matter. Copyright protection for invisible aspects can attach only through a fictitious treatment of the interface as a "nonliteral element" of the program; treatment that cannot withstand analysis under the Copyright Act's definition of a computer program.[67] Moreover, even treated as copyright subject matter, these aspects of program interfaces should be excluded from copyright protection by § 102(b)[68] (as a "process" or "method of operation") and the doctrine of *Baker v. Selden*[69] (requiring intellectual property protection of functional works or systems to be under patent law). This same analysis supports the argument that these invisible aspects of interfaces are patent subject matter, a methodology for using computer programs.

Other aspects of screen displays can independently qualify as § 102(a) copyright subject matter, for example, as pictorial works (e.g., video game characters), graphic works (e.g., spreadsheet formats), or literary works (e.g., help screens). These graphic, literary, and pictorial displays produced by programs are traditional subject matter of copyright to the extent that they have no function other than to inform or to portray an appearance. To that extent they are copyright protected if original and, having no functional characteristics of the type that distinguishes patent from copyright subject matter, are not and should not be patent protected regardless of their implementability by a program embedded on a computer readable medium. In other words, the programmed medium may remain statutory subject matter, but no part of any patent claim can validly cover any of these nonfunctional aspects because they are not the means for doing anything, they are not technology.

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[64] In the *Lotus* case (*See infra*, note 60), Borland implemented the Lotus menu command hierarchy with independently written, and copyright noninfringing, code. *Lotus Dev. Corp. v. Borland Int'l Inc.*, 799 F. Supp. 203 (D. Mass 1992) *rev'd*, 49 F.3d 807 (1st Cir. 1995), *affd.* by an equally divided court, 516 U.S. 233 (1996).

[65] This is similar to any other program function. The basic function of a program, and indeed most of its other specifications, are determined prior to the writing of any code. One writes code to perform a function, such as word processing; one does not just write code willy nilly and then sit back to watch whether perchance it happens to perform the desired function. The function is implemented by the code and exists only as an abstract concept until so implemented.

[66] See discussion *supra* note 65.

[67] *Id.*

[68] 17 U.S.C. § 102(b) (1994).

[69] *Baker v. Seldon*, 101 U.S. 99 (1879).

Other aspects of user interfaces are either purely or partly functional. An interface may be designed partly for esthetic reasons but also to allow the user to operate the computer more easily, faster, or with fewer errors or more easily corrected errors. User interfaces may be designed to make operation of the program easier to learn and to remember. The intellectual property issue with respect to such aspects is whether to protect them at all and if so, whether under patent or copyright.

These aspects of interface design are functional if one accepts the findings of psychology and human factor analysis that some of these things work better than others at accomplishing such results as minimizing learning time and errors and maximizing user retention and speed of performance.[70] A problem with treating user interface designs aimed at such functional results as patent subject matter is that, even if they do work better, we often may not know exactly why. This can present problems with defining the patent scope, especially when the doctrine of equivalents is factored into the analysis. Nevertheless, to deny patent protection flatly would be to open the door to copyright protection for all original functional aspects of interface design.

There is good authority for denying copyright protection to functional aspects of user interfaces, in both § 102(b)[71] of the Copyright Act and in the more general doctrine of *Baker v. Selden*.[72] Indeed, the Supreme Court in that case explicitly denied copyright protection to the "user interface" involved, a blank accounting form for use in implementing a new system of accounting. The Court did not inquire whether the system, or the implementing form, really did work better than anything that had gone before. That job, by implication, is for the patent system. The point is that the system was intended to be better in some ways important to the user besides esthetic enjoyment. That was enough to deny the copyright.

Nevertheless, notwithstanding solid grounds for denying copyright protection to functional aspects of interfaces, if the PTO tells the creators of interfaces designed for efficient human-machine interaction that such systems and methods of operation are not patent subject matter, the result will be to leave the creator out in the cold as far as intellectual property protection is concerned. There is substantial room for doubt whether *Baker v. Selden*, venerable though it is, will be sufficiently robust over the long term to hold off the pressure for some form of copyright protection without help from the patent side. If patent law does not do its share, we should expect judges in copyright cases to try to fill some of the perceived gaps. We have already seen a number of examples in which copyright courts, eager to avoid what appeared to be "piracy" or misappropriation in a particular case, have sought to expand copyright protection for such subject matter.[73]

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[70] Peter S. Menell, "The Analysis of the Scope of Copyright Protection for Application Programs," 41 *Stan. L. Rev.* 1045, 1053-55 (1988).

[71] 17 U.S.C. § 102(b).

[72] *Baker*, 101 U.S. at 99.

We will perhaps have to develop patent standards demanding very precise claiming of functional interface innovation, and we might have to limit commensurately the operation of the doctrine of equivalents in this area. However, the difficulties in specifying the claim with precision in the case of functional aspects of user interfaces should not be a ground for flat denial of patentability on subject matter grounds. Otherwise, the courts are likely to develop a form of copyright protection for all original aspects of interfaces under copyright, whether or not they represent a nonobvious advance through software in the usability of screen displays, keyboards, joy sticks, or other devices that we use to interact with a computer. The scope of protection will be defined by copyright's vague substantial similarity standard, so any substantially similar interface will infringe, even though it marks a technological improvement on the old one. The inability to win many "no substantial similarity" defenses on summary judgment will further chill incremental advance in the development of interface technology. No one will want to take a chance if his lawyer tells him that he can know for sure that he has not infringed only after going through a full fledged trial on the merits.

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[73] Such thinking may have motivated the district court in *Lotus Dev. Corp. v. Borland Int'l Inc.*, 799 F. Supp. 203 (D. Mass. 1992) *rev'd*, 49 F.3d 807 (1st Cir. 1995), *aff'd* by an equally divided court, 516 U.S. 233 (1996), and may also have been involved in producing the 4-4 split on the Supreme Court, 116 S. Ct. 804, (1996). While the First Circuit got things basically right in *Lotus*, the Tenth Circuit on essentially the identical issue got to the right result without any reliance on 17 U.S.C. § 102(b) (1994) § 102(b), *Baker v. Selden*, 101 U.S. 99 (1879) or the relative roles of patent and copyright in interface protection. *Mitel, Inc. v. Iqtel, Inc.*, 124 F.3d 1366 (10th Cir. 1997). Even the Eleventh Circuit in *Bateman v. Mnemonics, Inc.*, 79 F.3d 1532, 1541 n.21, 1547 n.33 (11th Cir. 1996), while expressing clear concern about maintaining the border between patent and copyright in terms of functionality, refused to hold that interface specifications are uncopyrightable as a matter of law. *Id.* at 1547. Other copyright cases have protected various kinds of "systems" for presenting information, not obviously different in kind from the blank form denied protection under *Baker*. E.g., *American Dental Ass'n v. Delta Dental Plans Associated*, 126 F.3d 977 (7th Cir. 1997) (protecting a "taxonomy" of dental procedures); *Practice Management Information Corp. v. American Medical Ass'n*, 121 F.3d 516 (9th Cir. 1997) (protecting a "coding system" for identifying medical procedures); *Key Pubs., Inc. v. Chinatown Today Pub. Ent.*, 945 F.2d 509 (2d Cir. 1991) (copyright protects the "organizing principle" for yellow page classification, without reference to § 102(b)'s denial of protection for "principles"); *Kregos v. Associated Press*, 937 F.2d 700 (2d Cir. 1991) (protecting the choice of nine categories of baseball statistics for presentation in tables useful in predicting game results). The reasoning of Judge Easterbrook in the American Dental Association case should be particularly a cause of concern for a patent law worried about losing its jurisdiction to copyright. Judge Easterbrook placed heavy reliance on copyright protection of computer programs and standardized test questions, both of which are clearly functional works, to conclude that function is not a bar to copyright protection. The opinion shows no awareness that computer programs represent the first time in history that we have expressly brought a functional work under the copyright wing nor that the reasons for doing so may have nothing to do with other types of functional works that people may seek to protect under copyright. Nor does the American Dental Association opinion recognize that, while *Baker v. Selden* and § 102(b) have been partially overruled in the case of program code, they remain in full force with respect to the rest of copyright subject matter. *Id.* Standardized test questions, too, while clearly copyright protected, are arguably a special case. Dennis S. Karjala, "Copyright and Misappropriation," 17 *U. Dayton L. Rev.* 885, 922-24 (1992). These developments show how closely copyright is waiting in the wings, ready to spring into action if it appears that patent is allowing too much "creativity" to fall prey to "piracy."

IV. CONCLUSION

Both copyright and patent have important but complementary roles to play in the protection of computer programs. Copyright is wholly unsuited to the protection of most works of technology, but copyright protection of literal program code works well to make unlawful the kind of cheap, fast, and exact reproduction that, if permitted, could easily undercut incentives to produce and distribute computer programs. Moreover, copyright protection of code does not appear to be a great barrier to incremental improvement of most program technology, so at least in general it is plausible that the social benefits from copyright protection of code outweigh the costs of protecting this form of technology even without requiring that the technology be innovative at the level we have always demanded for patents. Copyright, of course, also protects many nonfunctional products of computer programs, such as video game characters, that independently qualify as traditional copyright subject matter. Computer programs and digital technology do not present us with any new conceptual problems in this regard.

Copyright protection for functional but nonliteral program elements, such as SSO and functional aspects of interfaces would represent an unnecessary and indeed unfortunate intrusion into the subject matter of patent law. Patent law can and should protect such functional program elements, provided they meet the standard tests of novelty, usefulness, and nonobviousness. Unless patent law clearly and unambiguously accepts this role, we can expect copyright lawyers to argue, and copyright judges to accept, that copyright protection must be expanded from program code to these nonliteral elements, notwithstanding that functionality disqualifies them as traditional copyright subject matter. The result will be a vast expansion of copyright protection of technology that is likely to inhibit far more technological development, and for a longer period, than society will get back in the form of more and better program technology. The Guidelines[74] are an important first step in bringing patent law back into the game as an active player. We need only to clarify that the nature of a patent claim to program technology must be directed to the methodologies for creating and using computer programs and to insist that claimants specify with precision just how their claimed invention qualifies as computer-use technology.

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[74] Guidelines, *supra* note 6.

VII. INTERNET

1. "Intellectual Property Basics for Cyberspace Trademark Basics," by Gail E. Gunnells
2. "Intellectual Property and Privacy Issues on the Internet," by Daniel W. McDonald, John C. Reich, and Scott E. Bain
3. "Visual Artists' Rights in a Digital Age," Note

INTELLECTUAL PROPERTY BASICS FOR CYBERSPACE
TRADEMARK BASICS

NACUA Mid-Year Workshop
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I. INTRODUCTION

As colleges and universities increasingly struggle with how to protect their trademarks in the exploding world of cyberspace, the analysis always returns to the basic principles of trademark law, including the issues of likelihood of confusion and dilution. Complicating the analysis is that an infringement in cyberspace adds the additional problem of instant worldwide distribution of the infringement accompanied by the question of how to secure jurisdiction over the infringer. While cyberspace law has been struggling to keep up with the pace of electronic commerce and ongoing changes in the administration of the Internet, new dispute resolution policies have emerged governing cyberspace issues, decisions have been issued in many cyberspace trademark cases, and two key pieces of legislation have been passed, which address trademark dilution and cybersquatting issues. All of these are instructive in analyzing any cyberspace trademark problem for colleges and universities.

II. BASIC TRADEMARK PRINCIPLES TO REMEMBER

While the following list is not all-inclusive, there are a few key trademark principles that become important to remember in protecting an institution's mark and in assessing the use of such marks in cyberspace.

A. Exclusivity is Limited

Trademark owners do not get exclusive use of a mark. The exclusivity that an owner receives by virtue of its trademark protection is only specific to a certain field of goods and services. For example, Delta is used by both Delta Faucets and Delta Air Lines, but each is exclusive to the type of goods and services offered by each. Under trademark law the ability of an institution to prevent third party use of its marks is greatly impacted by the goods and services in which the third party deals and whether or not the third party is attempting to trade on the institution's mark by implying an endorsement of the third party by the institution or by implying an affiliation or connection with the institution that does not exist.

B. Common Law Rights vs. Registration

Neither state nor federal registration of a mark is required for trademark protection to exist. While it may be desirable to have a state registration with the appropriate Secretary of State's Office in order to put the public on notice of an owner's rights in a mark, it is not required for protection of the mark to exist under law. A federal registration with the U.S. Patent and Trademark Office ("PTO") is also not required, but is desirable for notice purposes, including the right to use the trademark symbol ®, and because the PTO registration certificate serves as prima facie evidence that the mark is valid. The critical element for claiming trademark protection under the law is prior use of the mark. Federal registrations have been subject to cancellation under actions brought by the owner of a mark with a prior use date preceding the first use date of the federally registered mark. While intent to use applications are allowed at the PTO, once a mark is accepted for registration there is a specific time period under which use must occur for the registration to become final.

C. Trademark Protection is Country Specific

Registration of a mark with the PTO provides protection only in the U.S. Similarly, registration in other countries provides protection only in those specific countries. While there are conventions and treaties in place harmonizing the procedural formalities of registration between various countries, protection does not exist in a country until use of the mark and/or registration has taken place in that country in compliance with that country's laws on trademark protection.

D. Likelihood of Confusion is the Test for Trademark Infringement

To prevail on a claim of trademark infringement, a plaintiff must show that it owns a protectable mark and that there is a likelihood of confusion as to the origin, affiliation, or sponsorship of the defendant's product. For a mark to be protectable, it must be inherently distinctive or have acquired secondary meaning. A fanciful, arbitrary or suggestive mark is considered to be "inherently distinctive". A descriptive term is entitled to protection as a trademark only if it has acquired secondary meaning. Secondary meaning is achieved when a mark and the product are associated in the minds of relevant consumers. Generic terms are never entitled to protection as a trademark. When assessing whether the use of a mark infringes on a valid trademark, the analysis revolves around whether the allegedly infringing use is likely to result in consumer confusion. Likelihood of confusion is determined through a balancing test of several factors, including (I) strength of the mark, (ii) proximity of the goods, (iii) similarity of the marks, (iv) evidence of actual confusion, (v) channels through which the goods are marketed, (vi) the type of goods and the degree of care likely to be used by the relevant consumer, (vii) the intent of the defendant in selecting the mark, and (viii) the likelihood of expansion of the product lines. If consumer confusion is not likely, then infringement will not likely be found.

III. RELEVANT STATUTES AND POLICIES

A. The Trademark Dilution Act

The Trademark Dilution Act (15 U.S.C. § 1125(c)) was passed by Congress in 1996. The Act was intended to protect famous marks and does not require a showing of a likelihood of confusion. Injunctive relief is available under the federal Trademark Dilution Act, if the plaintiff establishes that (1) its mark is famous; (2) the defendant is making commercial use of the mark in commerce; (3) the defendant's use began after the plaintiff's mark became famous; and (4) the defendant's use presents a likelihood of dilution of the distinctive value of the mark. The Federal Trademark Dilution Act lists eight nonexclusive factors necessary for a famousness inquiry: (1) the degree of inherent or acquired distinctiveness of the mark; (2) the duration and extent of the mark's use in connection with the goods or services with which it is used; (3) the duration and extent of advertising and publicity of the mark; (4) the geographical extent of the trading area in which the mark is used; (5) the channels of trade for the goods or services with which the mark is used; (6) the degree of recognition of the mark in the trading areas and channels of trade used by the mark's owner and the person against whom the injunction is sought; (7) the nature and extent of use of the same or similar marks by third parties; and (8) whether the mark was registered on the Principal Register at the PTO.

B. Anti-Cybersquatting Consumer Protection Act

The Anti-Cybersquatting Consumer Protection Act (15 U.S.C. § 1125(d)) was signed into law on November 29, 1999. The Act creates a new cause of action for trademark owners against anyone who, with bad faith intent to profit, registers, traffics in, or uses a domain name that (I) is identical or confusingly similar to a mark that was distinctive when the domain name was registered; (ii) is identical or confusingly similar or dilutive of a mark that was famous when the domain name was registered; or (iii) infringes marks and names protected by statute such as the Olympic symbol or Red Cross. The test for bad faith includes, among other elements, (I) the registrant's intent to divert customers; (ii) any offer by the registrant to sell the domain name; (iii) the registration of multiple domain names owned by others; (iv) intent to tarnish; (v) the registrant's genuine prior use of the domain name; (vi) whether the name is the legal name or commonly known name of the registrant; (vii) the registrant's valid noncommercial or fair use of the domain name; and (viii) any trademark or other intellectual property rights in the domain name. The court can order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark. Monetary damages, including the defendant's profits, actual damages and costs and statutory damages (to be decided in the court's discretion and ranging from $1000 to $100,000 per infringing domain name), as well as attorneys' fees, are available as remedies under the Act. However, monetary relief is available only for domain names registered on or after the Act's effective date of November 29, 1999.

The Act also provides for situations in which a cybersquatter cannot be served with process by providing in rem jurisdiction, which allows the trademark owner to sue the infringing domain name itself. In an in rem case, damages are not available, but the court can order forfeiture, cancellation or the transfer of the domain name.

Finally, the Act prohibits the unauthorized registration of a domain name that consists of the name of another living person with the specific intent to profit by selling the domain name for financial gain. Forfeiture, cancellation, or transfer of the domain name are all available remedies. Monetary damages are not available for an individual cause of action such as this, but costs and attorneys' fees may be awarded by the court.

C. ICANN Uniform Domain Name Dispute Resolution Policy

At the end of 1999, the Board of Directors for the Internet Corporation for Assigned Names and Numbers ("ICANN") put into place the Uniform Domain Name Dispute Resolution Policy ("UDRP") for the top level domains ".com", ".net", and ".org". The UDRP was effective December 1, 1999 for all ICANN-accredited registrars, except America Online, NameIT Corporation and Network Solutions, Inc. The UDRP became effective for these three on January 3, 2000. The rules are available on the ICANN website, which is located at www.icann.org. The UDRP provides a new mechanism for trademark owners to deal with cybersquatters. It is not designed to apply to more traditional cases of trademark infringement.

The UDRP is incorporated by reference into the registration agreement that a domain name holder is required to sign with a domain name registrar in order to register a domain name. The UDRP requires a domain name holder to submit to a mandatory administrative proceeding when a third party complains that : (I) the domain name at issue is identical or confusingly similar to a trademark or service mark in which the third party has rights; (ii) the domain name holder has no rights or legitimate interests in the domain name; and (iii) the domain name has been registered and is being used in bad faith. Although the third factor, registration and use in bad faith, is the most important, the complaining third party must prove all three factors to succeed. Several factors are considered as evidence that a domain name was registered and is used in bad faith. The two factors most relevant to educational institutions include: (I) circumstances indicating that the domain name holder registered or acquired the domain name primarily for the purpose of selling, renting or otherwise transferring the registration to the owner of the trademark or a competitor of the trademark owner for valuable consideration over and above the documented costs related to the domain name, and (ii) by using the domain name the holder of the name intentionally attempted to attract, for commercial gain, Internet users to the holder's website by creating a likelihood of confusion with the trademark owner's mark as to the source, sponsorship, affiliation or endorsement of the domain name holder's website. The UDRP also contains provisions establishing the circumstances under which a domain name holder may be found to have legitimate rights in a domain name. These include whether (I) before notice of any dispute under the UDRP the domain name holder was using the domain name in connection with a bona fide offer of goods or services; (ii) the domain name holder has been commonly known by the domain name even if the holder has acquired no trademark rights in the name; and (iii) the domain name holder is making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or tarnish the trademark or service mark of the complaining party.

The UDRP provides for cancellation or transfer of a domain name in the event a complaining party is successful. It also provides for the domain name holder to continue using the name until a determination is made with regard to the offending domain name, unlike the previous Network Solutions Dispute Resolution Policy. Damages are not available under the UDRP.

IV. DOMAIN NAME ISSUES

The prized possession in the world of cyberspace is a dot com domain name. While the typical university domain name "yourinstitution.edu" is not usually the subject of a dispute, as cyberspace grows, so do the number of domain names containing the marks of educational institutions. These domain names often are registered by entities not affiliated with the institution in question. They range from domain names leading to websites of fans of the institution's sports teams to websites offering commercial goods and services completely unrelated to the institution, but which intend to drive traffic to their site by trading on the institution's name or other marks.

A. University Case Law

While the law in this area has developed slowly in the past, the last six to nine months have brought increasing action. In December, 1999, Harvard University filed one of the first lawsuits under the Anti-Cybersquatting Consumer Protection Act. The Harvard lawsuit is against a Web-site designer, Michael Rhys, who had registered over 60 domain names containing the words "Radcliffe" or "Harvard". His plan was to offer to clients Web services and e-mail service through the addresses he had reserved. He anticipated that his clients would be existing businesses with a desire to enter the world of electronic commerce, such as the Harvard Donut Shop. In the lawsuit Harvard alleged federal and state trademark infringement and dilution, and state unfair competition claims. Harvard seeks an injunction, transfer of the marks to Harvard, and an accounting and turning over of the proceeds from any sale or license, if any, of the allegedly infringing domains.. In the meantime Mr. Rhys has taken down his website, "harvardyardsale.com".

Other schools are looking at the issue of domain names on a case by case basis. Cornell University has taken no action at this time against "cornell.com", which performs web-hosting services for clients wanting to use the cornell name, similar to those services offered by Mr. Rhys of the Harvard case. Issues have also arisen at Stanford (stanfordessays.com), New York University (nyudormcam.com), the State University of New York (suny.com, a dating service), and Yale University (yaleuniversity.com).

B. Commercial Case Law

Because the Harvard suit was one of the first lawsuits by an educational institution over any domain name issue, an analysis of an institution's options under any specific fact situation will need to include a review of many of the leading commercial domain name cases.

1. Cybersquatting

One of the most recent cybersquatting cases is *Avery Dennison Corporation v. Sumpton*, 9th Cir., No 98-55810, 8/24/99. *The defendant offered e-mail service through domain* names representing the most commonly occurring surnames in the country. Avery Dennison, the office supply company, wanted to use "avery.net" and "dennison.net". Avery Dennison sued the defendant claiming that registration of "avery.net" and "dennison.net" diluted the Avery Dennison marks. The lower court granted summary judgment to Avery Dennison. On appeal the Ninth Circuit ruled that the names at issue did not violate state or federal trademark dilution statutes. The court further found that registration of the domain names by the defendant did not constitute commercial use. Under the federal Trademark Dilution Act "commercial use" requires that the defendant be using the trademark as a trademark. The court found that the defendant was not using the mark as a trademark, but only to represent surnames. In considering the issue of cybersquatting the court, in an analysis which might be instructive for educational institutions, found that a factfinder could infer that dilution did not occur, since the plaintiff was a commercial entity, which would use a ".com" top level domain, and the defendant had registered domain names with ".net" as the top level domain.

A line of cases prior to Avery Dennison appeared to settle that mere reservation of a domain name absent more is not "use" sufficient to trigger potential infringement liability. In *Lockheed Martin Corporation v. Network Solutions, Inc.*, 985 F. Supp. 949, 957 (C.D. Cal. 1997), the court stated that, under the Lanham Act, "something more" than mere registration of a domain name alone is required to infringe another's mark. In that case the court granted Network Solutions' motion for summary judgment on Lockheed's claim that Network Solutions engaged in trademark infringement by registering domain names for third parties that mirrored trademarks of others. See also, *Jews for Jesus v. Brodsky*, 993 F. Supp. 282, 307 (D.N.J. 1998) ("As such, the mere registration of a domain name without more is not a 'commercial use' of a trademark"); *Academy of Motion Picture Arts and Sciences v. .Network Solutions, Inc.*, 989 F. Supp 1276, 1279 (C.D. Cal. 1997) ("the mere registration of a domain name does not constitute a commercial use").

In the cybersquatting cases courts have noted the general rule that registration of the domain is not enough to constitute use, but have found that use exists sufficient to support a cause of action in situations where the defendants made efforts to benefit from the sale of domains. In the case of *Panavision Int'l L.P. v. Toeppen, 945 F. Supp. 1296, 1303 (D.C. Cal. 1996), aff'd, 141 F.3rd 1316, 1324 9th Cir. 1998),* the Ninth Circuit noted that "Toeppen's commercial use was his attempt to sell the trademarks themselves". In *Intermatic, Inc. v. Toeppen*, 947 F. Supp. 1227, 1239 (N.D. Ill. 1996), the court found "Toeppen's intention to arbitrage the intermatic.com domain name constitutes a commercial use…sufficient to meet the…requirements of the Lanham Act." . The Toeppen line of cases remains the standard outside of the provisions of the Anti-Cybersquatting Consumer Protection Act.

In what is believed to be the first appellate ruling concerning the Anti-Cybersquatting Consumer Protection Act, the Second Circuit found that a Christmas tree company's domain name was registered in bad faith only to take advantage of another company's well-known mark. In *Sporty's Farm v. Sportsman's Market Inc.*, 2nd Cir., No. 98-7452, February 2, 2000, the Second Circuit affirmed the lower court's ruling awarding the domain name to the plaintiff, Sportsman's Market and also affirmed the denial of damages. Sportsman's Market had used the name "sporty" for decades to identify its products and had secured a federal registration for "sporty's" in 1985. The defendant, Omega Engineering, registered the domain name "sportys.com", launched a subsidiary to sell Christmas trees and sold the domain name to its subsidiary. The court found trademark dilution, but while the appeal of the case was pending, Congress passed the Anti-Cybersquatting Consumer Protection Act. The court decided that the new Act applied and found the term "sporty's" is inherently distinctive and the use of "sportys.com" was confusingly similar to "sporty's". The court found that the defendant had acted with bad faith intent to profit when it registered the domain name.

2. **Diversion of User Traffic**

In *Public Service Company of New Mexico v. Nexus Energy Software*, 36 F.Supp. 2d 436 (D. Mass. 1999), the plaintiff, who owned the federally registered mark "ENERGY PLACE", was granted a preliminary injunction against defendant's use of the mark and use of the domain name "energyplace.com". The court found the plaintiff's mark protectable, and then held that there was a likelihood of confusion based on the similarity of the marks, services and targeted Internet users, and the fact that both parties marketed their informational services through Internet websites.

In *Archdiocese of St. Louis v. Internet Entertainment Group, Inc.*, 34 F. Supp. 2d 1145 (E.D. Mo. 1999), the marks "Papal Visit 1999" and "Pastoral Visit", both common law marks, were found to be protected under a dilution argument. A preliminary injunction was granted against defendant's use of these marks and names to identify and direct users to its adult entertainment websites.

Often domain names will be registered with intentional typographical errors, which are intended to divert traffic from a famous site with a similar name. In *Paine Webber v. Fortuny*, 1999 U.S. Dist. LEXIS 6552 (E.D. Va. April 9, 1999), the court ordered Network Solutions, Inc. to put the domain name at issue in the case on hold. The defendant operated a pornographic website under the name "wwwpainewebber.com" (the proper Paine Webber URL is www.painewebber.com). This was one of the first "typos" domain name piracy cases.

V. OTHER INTERNET ISSUES

A. **Dilution By Tarnishment**

Many of the dilution by tarnishment cases involve adult entertainment or pornography websites. In *Mattel, Inc. v. Jcom, Inc.*, 48 USPQ2d 1467 (S.D. N.Y. 1998), the Defendant's use on its adult entertainment website of the "BARBIE" trademark, use of the word "playhouse" with the word "Barbie" and its copying of a font and color scheme used by Mattel were found to be dilution of Mattel's famous trademark rights.

In *Toys "R" Us, Inc. v. Akkaoui*, 40 USPQ2d 1836 (N.D. Cal. 1996), the defendant was found to have diluted by tarnishment the famous "Toys 'R' Us" trademark by using "adultsrus.com" for its sexually-oriented Internet shopping service. The court ordered cancellation of the defendant's domain name.

B. **Metatags/Key Words Searching**

Metatags are keywords used within the hypertext mark-up language ("HTML") used to program a web page. Search engines look for metatags to determine how well a website matches the criteria of any given Internet search. The first court decision involving the use of metatags involved the Website "playboyxxx.com", which featured repeated use of the "PLAYBOY" and "PLAYBOY MAGAZINE" trademarks as metatags. *Playboy Enterprises, Inc. v. Calvin Designer Label*, 985 F. Supp. 1220 (N.D. Cal. 1998). Such use was without permission or attribution. Playboy Enterprises filed suit alleging trademark infringement, unfair competition and dilution. The court granted the plaintiff an injunction and ordered that the defendant cease use of and cancel its domain names.

The Ninth Circuit in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F. 3d 1036 (9th Cir. 1999), reversed the denial of a preliminary injunction against the defendant's use of plaintiff's "MOVIE BUFF" trademark in defendant's metatags. In doing so the court affirmed that the use of metatags to divert traffic to the defendant's web site was actionable even though the user may learn once it arrives at the site that the site is not that of the plaintiff. Contrast that case to *Playboy Enterprises, Inc. v. Terri Welles*, 7 F. Supp. 2d 1098 (S.D. Cal. 1998), in which the district court found that there was no infringement resulting from the use of "PLAYBOY" and "PLAYMATE" as metatags to drive traffic to the site "terriwelles.com" because the metatags provided a true description of the defendant, who was a former Playmate of the Year. It is important to note that defendant's web site disclaimed any relationship with Playboy other than the terms at issue, that the "PLAYBOY" references were minimal, and that the plaintiff initially encouraged use of the marks by the defendant.

C. **Linking**

Several trademark infringement issues have arisen as a result of "linking", where users of one Web site connect to another by clicking on a hyperlink displayed on the first site. "Deep linking", which is the practice of providing access to a Web page on a second site without going through the home page of the second site, is of particular interest because it can confuse consumers into believing that the "deep linked" site is associated with the original site. This was the issue in *Ticketmaster Corp. v. Microsoft Corp.*, where Microsoft connected users to the ticket sales section of the Ticketmaster site. Ticketmaster claimed infringement of the "TICKETMASTER" trademark, dilution of the mark's value, and violations of state and federal unfair competition law. The suit was settled with Microsoft agreeing to remove its deep link and link only to Ticketmaster's home page.

VI. CONCLUSION

As the "new frontier" of cyberspace continues to grow, many more legal issues will arise that cannot even be anticipated today. In the meantime new cases will be decided and new laws will be passed to deal with current issues relating to domain names, linking, metatags and other uses of trademarks on the Internet. All of these issues will keep trademark and other intellectual property laws in the forefront as institutions and commercial entities participating in the Internet revolution struggle to address these many concerns.

Intellectual Property and Privacy Issues on the Internet

Daniel W. McDonald, John C. Reich*
and Scott E. Bain**

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I. INTERNET BASICS

A. *Uses of the Internet*

The growth of the Internet has signaled the beginning of a whole new age in communication, commerce, entertainment, and enlightenment. Evolving from the "ARPANET" project in the 1960's, in which a few military supercomputers were connected in order to allow users in geographically remote areas to use the supercomputers, the Internet today is estimated to connect close to 10 million computers, and is used by 20–40 million people.[1]

The Internet is used for a wide variety of purposes. **Electronic mail**, or "email," allows the transmission of written information with great speed and a nearly unlimited volume of distribution. **Bulletin Board Services** ("BBS's") such as UseNet News allow people to post information or opinions on virtually any topic imaginable to a worldwide audience, and to view the responses of others, in essence carrying on a "virtual debate" that can last for days, months, or even years. "**Telnet**" programs allow users to log into a computer from a remote location and access that computer's files and use its programs. "**File Transfer Protocol**" (FTP) allows users to copy files to and from remote computers. And finally, the "**World Wide Web**," frequently called "the Web," is the ultimate marketing tool, allowing individuals and organizations to post text, graphics, sound, and even video on their "Web page," and then watch as people by the millions come to browse through it.[2] A major convenience of the Web is that its "hypertext" structure provides the capability of instantly jumping from one page to another, and allows the creation of "links" to other pages so that this jumping can be done at the click of the mouse button.

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[1] Estimates vary because usage is constantly in flux and is difficult to estimate with substantial accuracy.

B *Domain Names*

1. General

Computers on the Internet, called "host computers",[3] are identified by both numbers and names. The number consists of four parts separated by periods: for example, "136.152.66.39." This number is commonly referred to as the "IP address" of the computer, pinpointing the location of that computer on the Internet, so that it may be reached by users at other computers.

However, a string of numbers is very difficult to remember, so numbers are infrequently used to refer to the computers. As an alternative to numbers, every machine also has a name, or "domain name address," consisting of two or more words separated by periods. For example, the computers at Merchant & Gould are named "merchant-gould.com." The naming scheme for host computers is fairly flexible; a single host computer may have a single name, a single host computer may have several different names, or several host computers (on the same network) may share the same name. This naming scheme is useful under the common situation in which there are multiple machines available and it does not matter to which machine the user connects.

The name (domain name address) of a machine can be divided into two basic parts: the "domain name," and the "host name." The domain name refers to the network to which the particular computer is connected. For example, the names of all of the computers on the University of Minnesota-Twin Cities Campus network end in the domain name "tc.umn.edu." The host name refers to the name of a particular computer on that network. For example, "gold" is the name of a particular computer on the University of Minnesota-Twin Cites campus network; thus the domain name address of that computer is "gold.tc.umn.edu." In some cases, such as at Merchant & Gould, there may be just a single name to refer to all of the hosts on the network, or there may only be one host on the network; in those cases the name of the machine would merely be the domain name (e.g. "merchant-gould.com" is both the domain name and the domain name address of the host computers at Merchant & Gould).

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[2] For example, the ESPN site on the Web averages over 50,000 visitors per day, and millions per year. *See* "http://espnet.sportszone.com."

[3] Multiple computers in an area, such as at a college campus, are connected together into a "Local Area Network." One or more computers on the network serve as "hosts" (or, "servers") and provide services to the other computers on the network. These hosts are connected to hosts at other networks, thus creating the vast network of networks dubbed "the Internet."

There are several possible levels of domain names. In the University of Minnesota example, the "tc.umn.edu" domain consisted of three levels: "edu" signifies the fact that it is a machine at an educational institution; "umn" identifies the particular institution, the University of Minnesota; and "tc" signifies the fact that it is a machine on the Twin Cities campus. All domain names have at least one level, the "top level." There are five possible top level domain names: (1) "com," designating a commercial company; (2) "gov," designating a government entity; (3) "edu," designating an educational institution; (4) "org," designating a non-profit organization; and (5) "net," designating a networking organization. In addition, some machines have another "top level country domain" added at the end of the domain name. For example, "au" signifies Australia, and "uk" signifies the United Kingdom.

The domain name is used by individuals or companies in at least two common situations. First, it will be part of an individual's email address. A lawyer at Merchant & Gould would have the email address of, for example, "dmcdonald@merchant-gould.com." The username in the email address, "dmcdonald," signifies that user's particular account on the Merchant & Gould network. Second, the domain name will necessarily be a part of the URL (Uniform Resource Locator) used by World Wide Web browsers to find the Web page[4] stored on a computer. For example, Merchant & Gould's World Wide Web URL is "http: //www.merchant-gould.com." Note that "http://www" is not part of the domain name, but rather a common part of the URL.

2. Obtaining a Domain Name

Under a five-year contract with the National Science Foundation beginning in 1992, three American companies manage various aspects of the Internet: AT&T, General Atomics, and Network Solutions, Inc. (NSI). These companies adopted the name "InterNIC" for their joint efforts. NSI manages the registration of domain names for InterNIC, and the only way a domain name can be obtained is to attempt to register it through NSI. Registration must be done electronically, and templates are available at the InterNIC Web site at "http:\\rs.internic.net."

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[4] Web pages are text-based files written in HTML, or "Hypertext Markup Language."

There are several stringent rules that must be followed in registering a domain name. First, the name can only be 24 characters long, including all periods and the top level domain. Also, InterNIC will not register a domain name unless the registrant has at least two dedicated servers assigned to and supporting that domain.name. This requirement ensures that the registrant has at least made a minimum investment of setting up an Internet site for its domain name, and discourages people from "hoarding" or "pirating" domain names with no intent to use them, but rather sell them to someone else at a handsome profit. Also, there is a $100 registration fee, which allows use of the domain name for two years, and $50 will be charged every year thereafter to renew registration.

3. Domain Name Dispute Resolution Policy

Because each unique domain name cannot be used by more than one Web site, and because more and more companies are now seeing the value in staking out space on the Internet, domain name disputes are becoming increasingly common. As a result, NSI promulgated new guidelines in July of 1995 to address problems related to trademark disputes in domain names.[5] These guidelines became effective on November 23, 1995.

Under the new domain name guidelines, NSI registers domain names on a first-come, first-served basis (as it did before the guidelines) and will not perform any trademark searches or otherwise investigate whether an applicant's use of a domain name infringes upon the rights of a third party. One of the new requirements for registration is that the registrant indemnify NSI of such liability. Also, registrants must proclaim that they are not interfering with the rights of any third party with respect to trademarks or any other intellectual property in using or registering the domain name. NSI merely checks to see whether the desired domain name has already been registered by another as a domain name.

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[5] A copy of the guidelines is available on the Web at "http://rs.internic.net/domain-info/internic-domain-for-html."

The new guidelines also permit a trademark owner to challenge another's registration and use of a domain name. To do so, the trademark owner must present to the NSI evidence of a federally registered U.S. trademark or service mark identical to a registered domain. If the current domain name holder registered the domain name before either: (1) the challenger's first *use* of its trademark; or (2) the challenger's *federal registration* of its trademark, then the current domain holder can continue to use the Internet domain name while the dispute is being resolved.

In response to a trademark owner's challenge, the current domain name holder can provide proof that it too has a registered trademark corresponding to the domain name, and such proof may allow the current domain name holder to continue to use the domain name while the dispute is pending. If the domain name holder cannot meet any of the above requirements, then NSI will place the domain name on "hold status" pending resolution of the dispute, meaning that the domain name will not be available for use by any party during this time. Once the dispute is settled in court or by an arbitrator, the NSI will award the domain name to the party that prevails in the dispute.

The enforceability of the NSI Domain Name Dispute Policy is currently in question, though. In a case pending in the United States District Court for the Eastern District of Virginia, the policy is being challenged by Roadrunner Computer Systems (RCS).[6] RCS had registered the domain name "roadrunner.com" with InterNIC, but NSI placed the name on hold after Warner Brothers challenged the use on the basis of its cartoon character "Road Runner," for which it has a federally registered trademark. Although NSI later agreed not to put the domain name "roadrunner.com" on hold, NSI was still named as a defendant in the suit, and has counterclaimed for a declaratory judgment that their Domain Name Dispute Policy is valid.

II. TRADEMRAKS AND INTERNET DOMAIN NAMES

A. *Basic Principles of Trademark and Unfair Competition Law*

Trademarks and trade dress identify the source or origin of goods and services. Words, logos, designs, colors, and even scents and sounds can be marks. Trade dress is non-functional product configuration or packaging. Protecting trademarks and trade dress from infringement protects consumers from confusion as to the source of a particular product or service, and prevents competitors from trading on the reputation and goodwill built up by another. The basic elements of proving infringement are (1) a protectible mark or trade dress, and (2) likelihood of confusion created among an appreciable number of consumers due to the similarity of the marks or trade dresses.

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[6] Roadrunner Computer Systems, Inc. v. Network Solutions, Inc., Civil Docket No. 96-413-A (E.D. Va., March 26, 1996)

1. Protectible Trademarks and Trade Dresses

Federally registered trademarks and trade dress are presumptively protectible.[7] Even if not registered, such rights are protectible under state law, and under Section 43(a) of the Lanham Act.[8]

Trademarks and trade dress which are *inherently distinctive* are protectible. Even *descriptive* terms and other trade dress are protectible if they acquire distinctiveness in the minds of consumers. Distinctiveness, or *secondary meaning*, arises when consumers come to associate the mark with a particular source due to, for example, extensive or prolonged sales and advertising.

2. Trade Names

Whereas a trademark indicates the source of a product or service, a *trade name* is a symbol used to identify a company, partnership, or business. A word used only as a trade name and not as a trademark is *not* federally registerable. However, trade names are protected at state common law and at federal law under Section 43(a) of the Lanham Act. Just as for trademarks, the test for infringement of trade names is likelihood of confusion.

3. False Advertising and Other Forms of Unfair Competition

"Unfair competition" describes many types of commercial torts other than trademark or trade name infringement. Unfair competition includes false advertising about one's own product or services, trade disparagement or trade libel as to other people's products, and related activities. Most states have statutes dealing with some form of "unfair competition" or "unfair business practices."[9]

At the federal level, Section 43(a) of the Lanham Act is construed as a general unfair competition statute to include unregistered trademark and trade dress infringement, trade libel, and false advertising.

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[7] Lanham Act § 7(b), 15 U.S.C. § 1057(b) (1996).

[8] 15 U.S.C. § 1125(a) (1996).

[9] *See, e.g.*, Minn. Stat. Ann. §333 (West 1995).

4. Dilution

The use of a similar or exactly the same mark on goods which are completely different than those used with a valid trademark may not be likely to cause any consumer confusion, and thus would not give rise to a trademark infringement action. For example, the use of "Apple" to describe a grocery store such as "Apple Foods" may not infringe the "Apple" trademark held by Apple Computer. Formerly, this situation was particularly harmful to owners of famous marks, leaving them with no redress when others used a similar or the same mark for unrelated products.

However, Congress recently passed a "dilution" law to help owners of famous marks. Under the Federal Trademark Dilution Act of 1995, an owner of a famous mark may be provided relief even in the absence of competition or likelihood of confusion, if the other's use somehow "dilutes" the famous mark by lessening its capacity to identify goods or services.[10] The legislative history of the act indicates that dilution also includes "tarnishment" of a mark, which is another party's use of the mark in an immoral or otherwise unappealing way.

B. *The Domain Name Battleground*

1. The Conflict

Domain names are a potential hotbed for trademark and trade name conflicts for several reasons. Trademarks arise in connection with particular goods and services. Similar, even identical, word marks can be simultaneously federally registered by unrelated companies on unrelated goods. The problem of overlap is increased when non-registered marks are considered, since identical unregistered marks can be used on the same goods or services in different parts of the country for decades without any problems arising. Also, logo designs can distinguish marks whose words alone are similar or identical. Trade names are outside the scope of federal registration. Trade names can be registered as corporate names on a state-by-state basis, and variations on the corporate name actually used as trade names may not be registered at all.

In contrast, commercial domain names all are assigned a ".com" domain classification. This is true regardless of the type of goods or services or the part of the country in which any corresponding trademark or trade name is used. Indeed, it is true even if *no* goods or services are associated with the term. Moreover, domain names often are shortened versions of trademarks or trade names, including abbreviations and initials, and of course include only characters and no designs. Put all these facts together and the domain name game creates several potential battlefields, including the following:

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[10] Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 110 Stat. 985 (codified as amended at 15 U.S.C. §1125(c), 1127 (1996)).

- Two companies have legitimately used the same name or mark on different products or services, and both want to use it as a domain name.
- Two companies in different parts of the country have similar marks or names, and want to use the name as a domain name.
- Two companies with different marks or names seek similar domain names because one (or both) seeks to shorten its mark in a way which makes the domain names similar or identical.
- An unscrupulous competitor or third party anticipates your desire for a particular domain name and obtains it first.

Eventually, some of these conflicts may be resolved outside the courtroom. Some commentators have suggested providing "subdomains" within the ".com" system for types of goods or services, or by geographic area, in a manner akin to Yellow Pages listings. Alternatively, conflicts may become so common that Internet users will cease to guess at a domain name from a trademark or other shorthand term, instead relying on directory listings or the like. However, developments do not appear imminent, and in any event will not resolve all the potential conflicts.

2. *Possible Solutions*

a. *Register, Register, Register*

Parties concerned with preserving their rights to use certain domain names should promptly take the following steps:

- Determine what federal trademark registrations they own in the name, if any.
- If no registrations are owned, a clearance search including a domain name search should be performed on the name.
- If the name is available, federally register the name as a trademark, and simultaneously apply for the domain name with InterNIC.

Federal registrations provide many benefits not specific to the Internet which are beyond the scope of this article. However, domain name registration procedures elevate the importance of federal trademark registrations. The NSI Dispute Resolution Policy puts federal registrants in the driver seat. Moreover, NSI ultimately defers to outside resolution, such as trademark litigation, where federal registrations also provide advantages.

The full clearance search also provides several benefits if a term is intended to be used widely, including on the Internet. A search may reveal that a domain name has already been taken by another company with a federal registration in the name. If that is the case, the more prudent course of action may be to avoid conflict and begin efforts to develop a different name. If the mark is available, both federally registering it and registering it as a domain name will give the greatest assurance of continuing ability to use the term on the Internet.

The federal registration of domain names as trademarks presents additional issues. The Patent and Trademark Office (PTO) will not register a mark unless it is used in commerce. Proposed marks used *only* as a domain name must be registered for the proper services. The PTO recently published a position paper on registering domain names, setting forth its current policy on this issue.[11]

Due to the first come, first served nature of NSI's registration of domain names, it is imperative to register your domain name as soon as possible. Also, it may be advantageous to register domain names which are similar to your trademark name in order to prevent competitors from possibly using the similar names to confuse consumers and trade off of the goodwill that you have created.

b. Other Avenues For Resolving Conflict

More aggressive or creative choices for protection are also available, although there is little case law to give certainty as to results. If a name is registered by another, you may be able to purchase the trademark registration either outright or with a grant-back license to use the mark granted to the prior registrant. Also, even small variations from the original proposed name and mark may pass muster by the NSI and the courts, especially if the name is used in connection with goods or services which are substantially different from the goods or services associated with the other, preexisting domain name. Purchasing the domain name itself from the current owner, or otherwise acquiring rights to its use, may also be an option.[12] If consumer or other confusion is a concern, consider an effort to stop the prior name registrant from using the domain name, *even if* you may not acquire rights to use the domain name yourself. For example, a domain name may simply include notices referring users to other Web pages.[13]

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[11] The paper, "Registration of Domain Names in the Trademark Office", is available on the Web at "http://www.uspto.gov/web/uspto/info/domain.html."

c. Litigation Options

(1) Anti-Dilution: Lawsuits for the Rich and Famous

As discussed above, Congress recently passed the Federal Trademark Dilution Act to give owners of famous marks the right to stop use of the same or similar mark on goods or services completely different than those used with the famous trademark, even absent infringement, if the other's use of the mark dilutes or tarnishes the famous mark. Federal trademark registrations are important both for the party asserting dilution and the party defending against such a claim.

Trademark owners may rely on tarnishment to enjoin use of a domain name. *In Hasbro v. Internet Entertainment Group*, a Washington District Court stopped a Seattle company from using the domain name "candyland.com" for its sexually-oriented products.[14] Hasbro, Inc. makes the popular children's board game "Candyland." The injunction rested on a tarnishment theory and on the Federal Trademark Dilution Act of 1995.

(2) Classic Infringement for the Non-Famous and the Rest

The owner of a non-famous mark may have more difficulty reclaiming the name from a domain name owner who has some good faith basis for using the name. There is too little case law to predict the outcome of such battles with any certainty. Nevertheless, applying well-established trademark principles suggest the following factors, among others, will be considered:

- Who was the first to use the name/mark in any manner and in commerce?

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[12] This was the option taken by McDonald's Corp. in a well publicized dispute, in which an individual registered the domain name "mcdonalds.com" before McDonald's did, and then forced McDonald's to negotiate for the right to use it.

[13] *See, e.g.,* "http://www.fidelity.com."

[14] Case No. 2:96CV-130WD (W.D. Wash. Feb. 7, 1996).

- How closely related are the businesses of the domain name holder and challenger? Are there other factors that indicate a likelihood of confusion?
- Is there actual confusion of consumers as to whether the domain name holder and other company are the same or related?
- Are those likely to access the domain name at issue sophisticated, careful users or casual users more likely to be confused?
- Is there any indication that the domain name holder acted with intent to exploit the other's mark, or was the adoption of the name in good faith?
- Did the challenger of the domain name holder act promptly to enforce its rights?
- Has the domain name holder built up substantial goodwill or business through its domain name that would make an injunction prejudicial?

In short, a challenge to a domain name holder is likely to involve a fact-intensive inquiry. As the above list suggests, prompt action to stop use of confusingly similar domain names will make enforcement much easier. Periodic searches may be helpful, as well as generally notifying employees to contact the proper person if they become aware of any suspicious activities on the Internet. Several search services are available, including Thomson & Thomson, and Dow Jones' Markwatch. These searches may also provide leads as to infringement in other media besides the Internet.

C. *Other Trademark Issues*

Generally, using the trademarks of others, even competitors, is permissible only if such usage is for truthful, verifiable comparative statements that do not create a likelihood of confusion. Therefore, the mere appearance of your mark as, for example, a hypertext link or a Web page of another, may be infringing if it is used in an inaccurate context, or gives the misimpression that the user is sanctioned, licensed, or otherwise associated with you. For instance, Sprint was precluded by NSI from registering the domain name "mci.com" because it contained the "MCI" trademark and would lead consumers to believe that MCI was somehow affiliated with that Internet location.

One of the leading cases on trademark infringement as to *content* on the Internet is *Playboy Enterprises v. Frena.*[15] Defendant Frena's computer bulletin board distributed unauthorized copies of Playboy photographs which could be downloaded using a computer and modem. The defendant used the trademarked "Playboy" name in the name or address of some of these files and the court ruled that this constituted trademark infringement because it led consumers to believe that Playboy was authorizing or sponsoring the photographs available at this site. Similarly, in *The Comp Examiner Agency v. Juris, Inc.*, the court issued a preliminary injunction precluding The Comp Examiner Agency from using its registered domain name "juris.com" for its Web site, because Juris, Inc. has a trademark in the name "Juris," and Juris and The Comp Examiner Agency both sell software in the same market.[16]

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[15] 839 F. Supp. 1552 (M.D. Fla. 1993).

Recent cases have indicated that the Internet will be considered a bastion of free speech, so it is likely that traditional court approval of fair, accurate, comparative use of trademarks will apply on the Internet as well. However, legislation on such issues will remain in flux and should be regularly monitored.

Finally, if you are accused of unfair competition or infringement for activities on the Internet, your standard business insurance may well cover your defense costs and the damages under "advertising injury" clause. To protect your rights, the insurer should be given prompt notice of such a claim.

III. COPYRIGHT

A. *Basic Principles of Copyright Law*

Copyright is the federal right of an author to *exclude* others from: (1) reproducing the copyrighted work; (2) preparing derivative works (modifications based on the original, copyrighted work); (3) distributing copies of the work; (4) performing the work publicly; and (5) displaying the work publicly.[17] Copyright usually vests in an author upon creation and fixation of the work, and lasts for the life of the author plus 50 years; however, in the case of a "work made for hire," the copyright expires 75 years from publication or 100 years from creation (whichever ends first).[18] A work made for hire is a work made by an employee within the scope of employment or a specially commissioned work by a contractor.[19]

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[16] No. 96-0213 (C.D. Cal. April 30, 1996).
[17] 17 U.S.C. § 106 (1996).
[18] 17 U.S.C. § 302 (1996).
[19] 17 U.S.C. § 101 (1996).

The requirements for copyrightability are that a work must be original (i.e., must be made by that author), must possess some "modicum of creativity,"[20] and must be "fixed in a tangible medium of expression" (e.g., embodiment in a hard copy or electronic copy or phonorecord).[21] Unlike a patent, copyright requires no novelty or "inventive leap." However, copyright cannot protect ideas, concepts, systems, or discoveries. It protects only the concrete *expression* of an idea, not its functionality. Thus a copyrighted work is easier to "design around" than a patented one.[22]

The test for copyright infringement has two parts. First, the accused work must be a "copy" of the copyrighted work (i.e., it must be "substantially similar" to the copyrighted work). Second, the accused work must have been *actually copied* from the copyrighted work, as opposed to coincidentally similar or independently created.[23] Even if you do not *directly* infringe a work, however, you can still be held liable for *vicarious* or *contributory* infringement. Vicarious infringement can be claimed in certain cases where a fiduciary duty exists, such as that of an officer of a corporation who knows of the infringement.[24] Liability for contributory infringement is incurred whenever one knowingly induces or materially contributes to infringement by another.[25]

A commonly claimed *but narrowly construed* defense to infringement is "fair use." Generally, four factors are examined to determine whether fair use applies: (1) purpose of the infringing use; (2) nature of the copyrighted work; (3) amount and substantiality of the portion copied in relation to the copyrighted work as a whole; and (4) the effect of the allegedly infringing use on the market for the copyrighted work.[26] The most important of these factors is the fourth; destruction of the market for the copyrighted work probably precludes a finding of fair use.[27] Other possible defenses to infringement are that the accused infringer had an express license to use the copyrighted work, or that the copyright owner's behavior created an *implied* license.

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[20] Although the requisite level of creativity is quite small, the requirement does exist. Feist Publications, Inc. v. Rural Telephone Service, 499 U.S. 340 (1991).

[21] 17 U.S.C. § 102 (1996).

[22] Baker v. Selden, 101 U.S. 99 (1879).

[23] Whether a work was actually copied is usually determined by a "sliding scale" test measuring proof of (a) the defendant's *access* to the copyrighted work, and (b) the *level of similarity* between the accused and the copyrighted work. The stronger the similarity, the lesser the proof of access that is required. *Arnstein v. Porter*, 154 F.2d 464 (2d Cir. 1946).

[24] *See, e.g.*, Boz Scaggs Music v. KND Corp., 491 F. Supp. 908 (D. Conn. 1980).

[25] Gerschwin Publishing Corp. v. Columbia Artists Mgt., 443 F.2d 1159 (2d Cir. 1971).

[26] 17 U.S.C. § 107 (1996).

[27] Harper & Row Publishers, Inc. v. Nation Enterprises, 723 F.2d 195 (2d Cir. 1983).

B. *Copyright Infringement Issues on the Internet*

1. *What Information and Materials Can You Put on Your Web Page Without Infringing the Copyrights of Others?*

Generally, creating a Web page is just like creating any other kind of compilation, such as a book of poems or a collection of photographs. Rights in every individual work (or piece thereof) used must: (1) belong to the Web page creator; (2) be in the public domain; or (3) have been assigned or licensed to the Web page creator.

Because Web site publishers may want to incorporate parts of many works owned by others into their Web sites, they face a situation similar to that faced by developers of multimedia CD-ROM's. A Web site may incorporate small snippets from many different pre-existing works in a variety of media. Examples include text, graphics, photographs, paintings, music, sound, animation, and even live video. The task of obtaining rights for all of the individual works at a reasonable cost, while giving the copyright holder of each work what he would consider a reasonable price for its use, is quite daunting and often impossible.

Additionally, new Web site design technology allows users to select certain materials from other Web sites without actually loading the other sites. If the individual material that is "copied" onto the current Web site is protected by copyright, then the new arrangement of the displayed page may be deemed a derivative work of the copyrighted material. Thus, the creators of the Web site could be held liable for contributory infringement for assisting in the violation of the copyright owner's exclusive right to create derivative works.

As to ordinary links to other Web pages, though, Web site owners probably need not worry about contributory infringement liability. Though this issue has not been tested in the courts, it is commonly agreed that merely setting up a link to a site is insufficient to form the basis of any infringement claim, whether the link is authorized by the owner of the other site or not.[28]

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[28] *See, e.g.*, John B. Kennedy & Shoshana R. Davids, *Web-Site Agreements Do Not Wrap Up IP Rights*, THE NATIONAL LAW JOURNAL, Oct. 23, 1995, at C1.

2. *In Which Aspects of Your Web Page Do You Own Copyright?*

There are at least five components of a Web page that may be copyrightable: (1) content created by the company which wants the Web page (e.g., text, photographs, graphical designs, etc.); (2) content created by the Web site developer specifically under the Web site development contract; (3) pre-existing software modules (i.e., the code itself); (4) software modules created specifically for the Web site; and (5) non-functional and non-factual aspects of the graphical user interface.[29]

Copyright in the Web site also could possibly extend to the way in which the Web page operates, as some Web pages perform certain functions or allow user interaction much like software on a stand-alone computer. However, the copyright doctrines purporting to protect this "structure, sequence, and organization"[30] (SSO), or "look and feel," or "graphical user interface"[31] appear to have fallen into disfavor. So, the status of copyright protection for these elements is dubious.

C. *Practical Guidelines and Tips*

1. *Use Development Agreements*

Because many organizations hire other people to design and implement their Web sites, and because the individual elements that are used in the Web site may have many separate copyright owners, determining copyright ownership of the Web site can be a big headache. The best way to avoid having problems with ownership of your Web site is to negotiate all rights *before* development begins.

As discussed above, under the work made for hire doctrine, if an employee designs the Web site *within the scope of her employment*, then the employer will be deemed the author.[32] If, however, an independent developer is used, then work made for hire will not apply. In this case it is necessary to obtain a *written* agreement from the parties developing the Web page (including the GUI designers as well as the software programmers), expressly assigning all copyrights resulting from the project to you. Otherwise, the developers will retain ownership of the work, which can lead to a difficult situation. For example, the developer could sell the work to another party such as one of your competitors.

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[29] The computer screen display can be protected, and even registered if a printout of the screen is deposited with the Copyright Office. 37 C.F.R. § 202.20(c)(vii)(C) (1995).

[30] Whelan Associates v. Jaslow Dental Laboratory, Inc., 797 F. 2d 1222 (3d Cir. 1986), *cert. denied* 479 U.S. 1031 (1987).

[31] Apple Computer, Inc. v. Microsoft Corp., 799 F. Supp. 1006 (N.D. Cal. 1992).

[32] Note that if it is not within the employee's *scope of employment* to design graphical user interfaces or write software or do any of the other things involved with creating a Web page, then the work is not a work made for hire.

2. Do Not Use Unauthorized Materials in Your Web Site

All materials that are implemented in your Web site should either be *owned* by you or you should have the *right* to use them via license or the fact that they are in the public domain. Do not assume that the defenses of fair use or an implied license will give you the right to use others' material on your Web site—the scope of each of these defenses is quite narrow.

If you are unable to negotiate an agreement for the use of some material, do not use it in your Web site; look for alternative material in the public domain or use material that you own. Finally, any material that you do put on your Web site should display proper attribution to the copyright owner.

3. Register Your Copyrighted Materials and Always Mark Them With a Copyright Notice When Displayed on the Internet

Although the importance of registration has been significantly reduced in recent years, registration does provide several benefits: (1) it is required in order to file a copyright infringement suit as to U.S. works;[33] (2) registration within 5 years of first publication creates a presumption of copyright validity; (3) it is required in order to be awarded statutory damages and attorneys fees; and (4) it is required in order to record changes in assignment and licenses with the Copyright Office. Given the minimal cost of registration, it is almost always worthwhile.

Marking a copyrighted work with notice of copyright is also recommended because: (1) it deters potential infringers; and (2) it precludes the defense of lack of notice as a means for mitigating actual or statutory damages.[34] Copyright notice should be in the form of a “©” or “Copyright” or “Copr.,” followed by the year of first publication and the name of the copyright owner.[35] Notice should appear on or alongside the copyrighted works on the page. It is also recommended to have a general notice of rights relating to use of the materials on the

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[33] However, for claims arising after March 1, 1989 as to works of *foreign* origin, registration is no longer required.

[34] 17 U.S.C. § 401(d) (1996).

[35] Example: © 1996 John C. Reich.

Web page as well as a listing of the company's copyrights and trademarks. Appendix A provides a list of Web sites of a few companies which have such a general notice linked to their page.

4. Do Not Rely on Copyright to Protect any Functionality of Your Web Site

It is better to seek patent protection if you are concerned about protecting anything other than the expressive elements in the program. In *Lotus v. Borland*,[36] Lotus sought to protect the menu command hierarchy in its computer spreadsheet program, which was copied by Borland in its "emulation" function in its spreadsheet program. The court ruled that Lotus' menu command hierarchy was an uncopyrightable "method of operation," since the user's selection of any command in the menu corresponded to a particular *operation* by the computer.

In summary, copyright protection for software, such as a Web site, is only effective for: (1) the elements of the software which are not in the public domain;[37] and (2) the elements of the software which are not functional.[38] For example, the literal code itself can be copyright protected, as can an icon on the screen. However, patent protection, which is discussed below, is the better alternative for the other elements of the software.

IV. PATENTS

A. *Basic Principles of Patent Law*

A patent is a federal right which allows an inventor to exclude others from making, using or selling the invention for a limited period of time. It is in effect a contract between the inventor and the government: the inventor fully discloses in the patent application information relating to the new technology and how to practice the invention. In exchange, the government (after publishing the patent) grants the patentee an exclusive right for the invention for the term of the patent. In contrast to a copyright, which is limited to narrow protection for the *particular expression* of an idea, a patent provides broad protection for the *invention or idea itself* (including its functionality). Also, a patent protects against *independent* development of the invention by others, as opposed to only protecting against *copying*.

There are three different types of patents. "Utility patents" cover technological innovations in products or processes, and last for 20 years from the date the application was filed.[39] "Design patents" cover the ornamental aspects of a design for an article of manufacture—as opposed to the functional or utilitarian aspect protected by utility patents—and last for 14 years from the date of issue.[40] "Plant patents" protect particular kinds of engineered plants, for the same term as utility patents.[41]

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[36] Lotus v. Borland, 49 F.3d 807 (1st Cir. 1995), *aff'd per curiam*, 116 S.Ct. 804 (1996).

[37] Apple Computer, Inc. v. Microsoft Corp., 799 F. Supp. 1006 (N.D. Cal. 1992).

[38] Lotus v. Borland, 49 F.3d 807 (1st Cir. 1995), *aff'd per curiam*, 116 S.Ct. 804 (1996).

In order to gain a utility patent, several requirements must be met. First, the invention on which a patent is sought must be patentable subject matter, which includes any "process, machine, manufacture, or composition of matter."[42] Second, the invention must be useful; i.e., it must have some "utility."[43] Third, the invention must be "novel"; that is, you cannot patent something that is identically shown in the prior art.[44] Fourth, the invention must be "nonobvious" to one "skilled in the art" upon examining prior inventions. Accordingly, even though the invention is not identically shown in the prior art, it must differ from the prior art in a way that is not obvious to one skilled in the relevant art.[45] Finally, as part of the bargain in gaining a monopoly, the inventor is required to fully disclose the invention in the "specification" of the patent, including disclosure of the "best mode" of operation.[46]

Even if the above requirements of patentability are met, an inventor can still be "barred" from getting a patent by various actions (or inaction) following the invention, including delay, publishing related information, and placing the invention on sale too long before applying for a patent.[47]

Design patents are subject to the same requirements discussed above for utility patents, except nonobviousness is determined from the perspective of a *designer* skilled in the art. Since design patents and utility patents cover different aspects of a product (the former covers ornamental aspects, the latter functional aspects), a single product can be the subject of design patent(s) and utility patent(s).

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[39] 35 U.S.C. § 154 (1996).

[40] 35 U.S.C. § 173 (1996).

[41] 35 U.S.C. § 154 (1996).

[42] 35 U.S.C. § 101 (1996).

[43] Id. Generally, this has not been a very stringent requirement and is rarely an issue for patentability.

[44] 35 U.S.C. § 102 (1996).

[45] 35 U.S.C. § 103 (1996).

[46] 35 U.S.C. § 112 (1996).

[47] 35 U.S.C. § 102(b)-(g) (1996).

The scope of a utility patent is determined by its "claims," which define the property right in the invention. The test for infringement is thus whether another invention "reads on" the claims of a patent, either literally or by application of the "doctrine of equivalents."[48] A design patent, on the other hand, has but one claim that refers to the drawing which consists of a picture of the design. Infringement is determined by comparing the accused design to the patented design. If, in the eyes of the "ordinary observer," the two designs are substantially the same, so as to deceive the observer to believe that one is the other, then there is infringement.[49] However, because a design patent cannot cover functional aspects, courts have also applied a supplementary "point of novelty" test. Even if the two designs are substantially the same to an ordinary observer, if the accused design only takes *functional* aspects from the patented design, then there is no infringement—similarity must be attributed to some *novelty* of the patented design.[50]

B. *Possibility of Design Patents for Designs on Web Pages*

Although icons on a computer screen clearly satisfy the "design" requirement for design patents, it had until recently been unclear whether they satisfied the requirement of embodiment in an "article of manufacture." However, in March, 1996, the PTO released its Guidelines for Examination of Design Patent Applications For Computer-Generated Icons, which state that ". . . if an application claims a computer-generated icon *shown on a computer screen, monitor, other display panel*, or portion thereof, the claim complies with the 'article of manufacture' requirement of §171."[51]

Therefore, certain visual aspects of a World Wide Web page, such as ornamental icons, can be the subject of a design patent. With respect to the graphical user interface, a design patent provides stronger protection than copyright, making it more difficult for competitors to get away with closely but not exactly copying the icons. It is important to remember that you cannot obtain a design patent to cover functional aspects of a display or graphical user interface. An example might include a pull-down menu.

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[48] A patent claim is literally infringed if every element described in the claim is present in the accused product; a claim is infringed under the doctrine of equivalents if every element *or an equivalent thereof* is present in the accused product.

[49] Gorham Co. v. White, 81 U.S. 511, 528 (1871).

[50] Litton Sys. Inc. v. Whirlpool Corp., 728 F.2d 1423 (Fed. Cir. 1984).

[51] Guidelines for Examination of Design Patent Applications for Computer-Generated Icons, 61 Fed. Reg. 11380 (1996) (emphasis added).

C. *Possibility of Utility Patents for Software on the Internet*

It is an axiom in patent law that discoveries of things existing in nature, scientific principles, theories, mathematical formulas, and mathematical algorithms are *not* patentable. Computer software used to be considered nothing more than an algorithm, and thus not patentable.[52] However, this situation has changed drastically in recent years. If software is characterized as *a machine for performing certain functions or a process directed to the manipulation and physical change of some physical structure*, then it is generally considered to be patentable subject matter by the PTO and by the courts.[53] A utility patent on software provides much stronger protection against design-arounds because it provides the user with an exclusive right to the idea embodied in the software, not just the specific code itself. Thus, a competitor could not just write its own code that performs the same functions.

The existence and popularity of the Internet makes utility patents for software desirable for two main reasons. First, the Internet has made it much easier to *copy* and *distribute* software. Email, downloading from a World Wide Web site, ftp, and posting on newsgroups are just a few of the means by which software can be acquired within minutes via the Internet. The broad protection that a utility patent provides may help to deter unauthorized distribution. Second, the Internet has opened up a whole new, lucrative market for software development, and much of the software being developed includes *interactive functions* which can only be protected fully under patent law, not copyright law. For instance, the World Wide Web has created a high demand for interface designs that allow users to perform operations or run programs much like on a stand-alone computer. While copyright law cannot protect such functionality, a utility patent will do so.

D. *Practical Guidelines and Tips*

1. *Consider Whether the Technology is a "Flash in the Pan"*

Generally, acquiring patent protection takes more time and money than other forms of intellectual property protection. A patent usually takes two or more years to issue, and costs anywhere from a few thousand dollars on up. Thus, if it is likely that the key features of the technology sought to be protected will be obsolete within two years, then the inventor may be better off relying on copyright protection, which is inexpensive and applies instantly.

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[52] Gottschalk v. Benson, 409 U.S. 63 (1972).

[53] *See, e.g.*, In re Alappat, 33 F.3d 1526 (Fed. Cir. 1994); *see also* Examination Guidelines for Computer Related Inventions, 61 Fed. Reg. 7478 (1996).

2. *Consider Other Applications and Markets for the Technology*

If the technology has potential uses beyond the specific Web page layout or related software developed, then patenting may be a good idea. Not only does a patent provide an added deterrent to copying, but also, it provides a stronger basis for licensing the technology to others or for expanding the market for the technology. Absent a patent, others may more easily design around the invention and use it without paying for it.

3. *Act Early in Order to Avoid Statutory Bars*

It is important to remember that no U.S. patent can issue if the application is filed more than one year after the invention is first "described in a printed publication in this or a foreign country or in public use or on sale in this country."[54] This is called a statutory bar. After this one-year grace period, the invention has fallen into the public domain no longer can be retrieved. Most foreign countries have even more stringent requirements.

Using the Internet is a particularly easy way to inadvertently start the clock running on a statutory bar resulting from public disclosure of an invention. For example, bulletin board systems (BBS's) are generally considered to be a public forum, and so any information posted on a BBS, such as a Usenet discussion group, is generally deemed to be a printed publication and will start the clock running on a statutory bar. Even Email could trigger the one-year statutory clock if it discloses the invention without confidentiality restrictions.

4. *Always Mark Your Patented Technology With a Notice of Patent*

In any on-line presentation of a patented product, such as downloadable software or a software program running on the Internet or information regarding a patented product, you should provide notice to the public that the same is patented (or a patent is pending) by fixing the word "patent" or the abbreviation "pat." together with the patent's number (or "pending," if the application has been filed but the patent has not yet issued) adjacent to the invention or information. A failure to mark the patent number may limit damages for infringement.

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[54] 35 U.S.C. § 102(b) (1996).

Damages are only available for the time after which the infringer had actual or constructive notice of infringement.[55] Marking the patented product provides constructive notice, precluding an infringer from claiming lack of notice in order to limit damages.

V. TRADE SECRETS

A. *Basic Principles of Trade Secret Law*

According to the Uniform Trade Secrets Act, there are five elements to a trade secret: A trade secret is (1) information, (2) which has value, (3) is secret—i.e., ". . . not generally known or readily ascertainable by proper means," (4) is valuable *because* it is a secret, and (5) is protected as a secret.[56] Thus, no trade secret can exist if the information is known to the general public or to the particular relevant industry as a whole. The trade secret owner should attempt to keep the information secret; otherwise, he may be deemed to have lost the trade secret. If a competitor steals the trade secret, as long as the holder of the trade secret has taken reasonable precautions to keep the information secret, then it will still remain a trade secret.[57]

B. *Issues the Internet Poses for Trade Secret Protection*

People may doubt the secrecy of sending an Email over the Internet and wonder whether sending a trade secret as part of an Email destroys the "intent to keep the information secret" which is necessary to keep a trade secret. However, sending trade secret information over the Internet probably does not in itself subject the trade secret owner to loss of that trade secret. It is a criminal offense to intercept an Email message and it is also a criminal offense to access a computer system which you are not authorized to access and read its contents. That criminal action is necessary to lose secrecy will probably preclude a claim that using Email is *per se* a failure to take reasonable steps to maintain secrecy.

However, practically speaking, computers and the Internet are a major threat to trade secrets. With the end of the cold war and increasing global competition spurred by increasing free trade, foreign countries have redeployed intelligence resources (i.e. spies!) against U.S. corporations to obtain trade secrets of U.S. companies. Moreover, criminal deterrents to such activities give insufficient reassurances because most laws are written in B.I. (Before Internet) language. The problem of industrial espionage has risen to a sufficient level of concern to be the subject of pending federal legislation. At the same time, the continued wide variations in computer literacy and skills may leave many ignorant of the risks and vulnerable to theft of trade secrets. Where a secret can be lost by the push of a button, lack of corporate policies and procedures makes transferring trade secrets particularly tempting and risky.

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[55] 35 U.S.C. § 287 (1996).

[56] Uniform Trade Secrets Act § 1(4) (1985). The majority of states, including Minnesota, have trade secret protection based on the UTSA. *See* MINN. STAT. ANN. § 325C (West 1995).

[57] E.I. duPont deNemours & Co. v. Christopher, 431 F.2d 1012 (5th Cir. 1970).

C. *Technical Solutions*

While details are beyond the scope of this presentation, several new technologies create higher levels of security on the Internet. One, encryption, encodes or scrambles Email messages so that they cannot be intercepted and read by an unauthorized party. While some encryption methods may be subject to federal export controls, encryption nevertheless is an option currently available.

Another technology, firewalls, is used to block unauthorized access to a company's network. Internal firewalls are also available to guard against internal access by unauthorized employees.

D. *Practical Guidelines and Tips*

1. Issues to Consider When Reevaluating Your Trade Secret Policies

While technical solutions will be important, corporations would be wise to use the Internet as an opportunity to reevaluate trade secret policies and employee education generally. In an age of frequent job changes, loss of trade secrets through ex-employees remains an ever-increasing concern. The reevaluation should consider the following issues:

- Have employees been told that the company has trade secrets which should only be disclosed under restricted conditions?
- Are trade secrets marked or distinguished sufficiently for employees to recognize they are trade secrets? Are employees told to maintain such markings on materials copied or transmitted by electronic or other means?
- Do employees sign agreements acknowledging the duty to protect trade secrets?
- Are employees told that Emails may be monitored for reasons including protecting trade secrets?

- Are Emails monitored in fact?
- Have technologies been acquired to minimize the risk of inadvertent disclosure and misappropriation?
- Are policies in place regarding destruction or deletion of unnecessary additional copies of sensitive information?
- Are signed non-disclosure agreements obtained when third parties must have access to sensitive information?

In short, relying on prior employee training and documents to ensure proper handling of trade secrets can be a mistake in the Internet age. Essentially the same trade secret principles apply, but employees should not be presumed to keep trade secret fundamentals in mind while using these new technologies. To the contrary, trade secret protection may well get lost while employees come to grips with the new Internet technologies.

2. The Special Case of Monitoring Email

Although monitoring employee Email is highly recommended as a corporate security measure, care must be taken so as to not subject yourself to liability for invasion of privacy or breach of contract or other possible tort actions by an employee. The Electronic Communications Privacy Act of 1986 makes it illegal to intentionally intercept wire, oral, or electronic communication, but there is an express exemption for electronic communications services provided by an employer to an employee.[58] Nevertheless, it is best for firms to take precautionary steps in doing so, because there is little case law in this area to provide definitive guidance as to liability.

Firms which use the Internet should formulate a clear policy for its use, and let employees know what that policy is. It is important that the firm's policy (1) eliminate any employee expectations of privacy in their Email and computer files (because a reasonable expectation of privacy is strong support for a breach of privacy suit), and if possible, (2) require consent by each employee to such monitoring. It also would be wise to establish authorities within the firm, such as the managing partner or an executive, who must give permission for any monitoring.

Some points a computer and Internet policy statement should cover are:

- The firm's network and computers are to be used for business purposes only.

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[58] See, *generally*, 18 U.S.C. § 2510 (1996).

- All Email messages and computer files are property of the firm, and subject to monitoring by the firm.
- In order to protect company proprietary information, do not assume that deleting a message renders it unrecoverable—it is in fact usually recoverable.
- Email messages are discoverable in litigation.
- Files downloaded from other sources, such as the Internet or floppy diskettes, should be scanned through a virus checking program.

VI. FINAL THOUGHTS: THE INTERNET AS AN ENFORCEMENT TOOL

The Internet can be an important tool in preventing intellectual property misuse. Internally, the Internet can provide easy access to corporate policies such as trade secret protection measures, usage guides to corporate trademarks (including proper examples of proper logo and trademark usage), patent number marking instructions, copyright notices, and the like. Employees using the Internet usage guides will always have the current version, unlike written manuals which can be mistakenly used long after they are outdated.

Externally, the Internet can provide notice to the world of a corporation's commitment to defending its intellectual property, identify key corporate trademarks and patents, provide distributors or others down the distribution chain with guidelines as to trademark usage, and provide a forum to ask questions. Appendix A provides examples of some corporate Web sites, as well as some Web sites addressing intellectual property issues.

As with any new technology, the Internet provides a weapon which can either destroy or defend intellectual property assets. The key to benefiting from the Internet is to be pro-active and understand the intellectual property basics.

CONCLUSION

The Internet has created more questions than answers to intellectual property issues. However, early cases and legislative efforts suggest that courts facing Internet issues will attempt to apply traditional principles of intellectual property law to this new form of communication. Understanding the basic principles will minimize the risk of unexpected results in intellectual property matters.

APPENDIX A: SOME USEFUL INTELLECTUAL PROPERTY LAW-RELATED SITES ON THE WORLD WIDE WEB

Corporate Sites:

(1) McDonald's—http://www.mcdonalds.com
Home page for McDonald's restaurant; contains a link to their purported legal "terms and conditions" for using their web page.

(2) "Fidelity"—http://www.fidelity.com
This site does not serve one specific company, but rather contains links to a number of different companies which each have "Fidelity" in their name. This is an example of a possible compromise in such a situation.

(3) Apple Computer—http://www.apple.com
Home page for Apple Computer; is an excellent source of general online information, especially regarding the Internet and computer industry.

(4) Oracle—http://www.oracle.com
Home page for Oracle, one of the leading innovators for Internet use; contains summaries of the latest industry news as well as Oracle's legal information.

(5) Silicon Graphics, Inc.—http://www.sgi.com
Home page for Silicon Graphics, Inc.; has links to extensive SGI trademark and copyright notice documents.

Government or Other Legal Information Sites:

(1) United States Patent and Trademark Office—http://www.uspto.gov
Home page of the U.S. Patent and Trademark Office; contains information about applying for a patent, as well as a searchable database of patents.

(2) Library of Congress—http://lcweb.loc.gov/homepage
Copyright Office—http://lcweb.loc.gov/copyright
Very useful site published by the Library of Congress; contains general copyright information as well as registration forms and form letters that can be used to register and protect your copyright.

(3) Copyright Clearinghouses:
ASCAP—http://www.ascap.com
BMI—http://www.bmi.com
Home pages of the 2 leading performance rights licensing groups in the music industry; both contain a searchable database of musical works.

(4) THOMAS Legislative Information on the Internet—http://thomas.loc.gov
Published by the Library of Congress, this is the best source of legislative information on the Internet. It includes full text of all legislation of the last 2 Congresses, full text of Congressional Record, bill summaries and status reports, and a full text of the U.S. Constitution.

(5) Law Journal Extra—http://www.ljx.com
Published by The New York Law Publishing Company, LJX is a daily source of legal news, including articles about recent cases and legislation, as well as information about the legal marketplace.

(6) Freeny Patent Litigation
Plaintiff's Site (E-Data)—http://www.3wnet.com/corp/edata
Defendants' Site—http://www.patents.com/ige.sht
E-Data is the owner of U.S. Patent No. 4,528,643 (the "Freeny patent") which describes "a system for reproducing information in material objects at a point of sale location." E-Data is now aggressively asserting its rights to collect licensing fees from virtually everyone distributing digital data (including software, video, audio) via the Internet or disk, and has sued 18 companies and sent out "Amnesty letters" to 75,000 organizations demanding a license agreement. The two web sites listed above track the legal developments involving the Freeny patent, and list defendants named thus far along with contact information for each of them.

(7) Berkeley Technology Law Journal—http://server.berkeley.edu/BTLJ/
Abstracts of scholarly articles on technology and intellectual property law topics, updates and information about recent court decisions, and a full-text, searchable database of article abstracts.

(8) Federal Court Locator—http://www.law.vill.edu/Fed-Ct/
A database of the full text of recent opinions issued by the Supreme Court, the Circuit Courts of Appeals, and Federal District Courts, searchable by keyword (and it is FREE).

Resource Locators (Which List Other Online Sources of Legal Information):

(1) Yahoo!—http://www.yahoo.com
Hierarchical-structured menu of links on the Internet, also includes keyword-search capability, published by Yahoo!

(2) The Legal List—http://www.lcp.com/The-Legal-List/
Comprehensive list of links to legal sources of information on the Internet (and elsewhere), written by Erik J. Heels and published by Lawyer's Cooperative Publishing.

(3) Cornell Legal Information Institute—http://www.law.cornell.edu/topical.html
Published by Cornell Law School; contains a list of legal sources by topic.

(4) Lycos—http://query1.lycos.cs.cmu.edu/
Published by Carnegie-Mellon University, this is perhaps the most comprehensive "search engine" on the Web—its authors claim that it covers 91% of the Web! A variety of Boolean search options are available.

(5) Webcrawler—http://webcrawler.com/
Published by Global Network Navigator, Inc.; a search engine that allows the user to run searches covering a large portion of the Internet, similar to Lycos.

Note

VISUAL ARTISTS' RIGHTS IN A DIGITAL AGE*

Harvard Law Review**
June, 1994

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> "[I]t is almost obligatory ... to begin by invoking the 'communications revolution' of our time, then to pronounce upon the inadequacies of the present copyright act...."
>
> BENJAMIN KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT[1]

Over twenty-five years ago, Professor Benjamin Kaplan alluded to the steady stream of commentary critical of the copyright system's ability to respond to a constant progression of technological advances.[2] That stream of criticism continues today.[3] Modern commentators, however, whether critical or laudatory of American copyright law, often do not explicitly acknowledge the recent changes in American copyright that attempt to harmonize the American system with that of other countries. The globalization of the entertainment industry has brought an

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* A revised version of this Note is currently under consideration in the 1994 Nathan Burkan Memorial Competition, which is sponsored by the American Society of Composers and Publishers (ASCAP).

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[1] Benjamin Kaplan, "An Unhurried View of Copyright" 1 (1967).

[2] *See also* Leo J. Raskind, "The Continuing Process of Refining and Adapting Copyright Principles," 14 *Columbia J.L. & Arts* 125, 128 (1990) ("A cursory review of the critical literature discloses a repetitive theme of dissatisfaction with the case law extension of traditional copyright principles to new works."); cf. Lynn Spigel, "Make Room for TV: Television and the Family Ideal in Postwar America" 82 (1992) (describing America's profound ambivalence about technological change).

[3] *See, e.g.*, Pamela Samuelson, "Modifying Copyrighted Software: Adjusting Copyright Doctrine to Accommodate a Technology," 28 *Jurimetrics* J. 179, 188-92 (1988); *see also* Jason S. Berman, "The Music Industry and Technological Development: Are We Winning the War?" in World Intellectual Property Org., WIPO Worldwide Symposium on the Impact of Digital Technology on Copyright and Neighboring Rights 93, 94-95 (1993) [hereinafter WIPO Digital Symposium] (indicating that these commentators often speak in terms of impending disaster).

increased interest in the various legal systems used to protect intellectual property around the world,[4] and the changing contours of entertainment-product marketing have placed a premium on attempts to harmonize intellectual property protection internationally. As one commentator notes:

> Suddenly, or so it appears, copyrights have been promoted from pawns to queens on the global chessboard. Originally the province of artists and their patrons, then growing into major industries, copyright and [like doctrines] now preoccupy those conducting affairs of state.... In short, transmedia communications are a new empire, and all of us are its subjects.[5]

Digital technology is the latest technological development to challenge the copyright system on an international scale.[6] Many consider digital technology a unique test of the copyright system because it affects every aspect of a creative work: its creation, its dissemination, and its protection. Works can be expressed in digital code, copied perfectly, and distributed to the public on an enormous scale. As a result, digital technology has changed the parameters of creative work, giving rise to new techniques and making possible entertainment products that would have been unimaginable a short time ago.[7]

Some scholars believe that the American copyright system as originally conceived cannot cope with digital and other new technologies.[8] Yet the civil law system prevalent in Continental Europe, with its emphasis on artists' rights, has had more difficulty assimilating recent technologies and unorthodox art forms than has the Anglo-American common law system.[9] he United States has, in recent years, imported a number of doctrines from the civil law system, most notably in the form of the Visual Artists' Rights Act of 1990 (VARA).[10] This Note argues that, although the traditional Anglo-American copyright system would be capable of embracing digital technology, VARA's mixture of those theories with Continental-European moral rights principles poses a challenge to this assimilation in the area of visual art.

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[4] *See* 133 *Cong. Rec.* S10275 (daily ed. July 21, 1987) (statement of Sen. Lloyd Bentsen).

[5] Alan J. Hartnick, "Aid for Copyright Lawyers in International Transactions," *N.Y.L.J.* Dec. 7, 1990, at 5 (quoting Richard Wincor, *Copyrights in the World Marketplace* (1990)).

[6] Digital technology is "the basic computer code that records all information ... in a series of zeroes and ones." "Copyright World Duels With Digital Dilemma," *Chi. Trib.*, Apr. 1, 1993, § 3, at 3.

[7] This Note focuses on the entertainment products that can be characterized as visual art and specifically those that will most likely be affected by digital technology. Other entertainment media, such as music, literature, and dance, are profoundly affected by digital technology; an extended discussion, however, is beyond the scope of this Note. For a taste of some of the other areas in which digital technology has an impact, *see* Randy S. Kravis, "Comment, Does a Song by Any Other Name Still Sound as Sweet?: Digital Sampling and its Copyright Implications," 43 *Am. U.L. Rev.* 231, passim (1993); David Nicholson, "The Brave New World of Electronic Publishing," *Wash. Post*, Aug. 8, 1993 (Book World) at 8, 9; James Warren, "In Transition: Technology, Shift to Part-Time Employees Threaten TV-Radio Union," *Chi. Trib.*, July 25, 1993, § 5, at 2.

[8] See Anne W. Branscomb, "Who Owns Creativity?: Property Rights in the Information Age," *Tech. Rev.*, May/June 1988, at 38, 40.

[9] See Anne W. Branscomb, "Who Owns Creativity?: Property Rights in the Information Age," *Tech. Rev.*, May/June 1988, at 38, 40.

Part I of this Note describes the current and (foreseeable) future applications of digital technology in the entertainment world and discusses the characteristics of digital technology and of visual art that are relevant to copyright considerations. Part II explains the rationales behind traditional American copyright, which encourages creation for the benefit of the public, and Continental-European moral rights, which view creation as an extension of an artist's personality. Part III discusses the Visual Artists Rights Act of 1990, which accords certain moral rights to visual artists, and examines the scope of the VARA rights. Part IV discusses the advantages and disadvantages of vigorous enforcement of the VARA rights in a digital age, characterizing these rights as a disadvantage if they impede the development and legitimate use of digital technology. Part IV also observes that artists might welcome VARA as a needed limitation on all-out exploitation of digital technology. Part V concludes that, although the moral rights contained in VARA may impede full exploitation of digital technology and tilt the copyright balance away from its goal of access to creative works, there may be good reasons for such a hybrid system.

I. DIGITAL TECHNOLOGY AND THE CHANGING FACE OF ART

Digital technology is likely to bring about several changes, both positive and negative, in the art world. First, by enabling the making of perfect copies of copyrighted works for little cost, digital technology threatens to undermine the current entertainment product distribution systems and increase unauthorized use of copyrighted works.[11] Second, digital technology increases the public's access to others' creations by enabling entertainment producers to create and distribute products of all kinds in a single (digital) format.[12] When digital technology is combined with satellite and other communications, forming an "information superhighway,"[13] consumers will be able to access their favorite entertainment products whenever they please. Third, digital technology makes it easier to manipulate existing works, which leads to new possibilities for artists who can harness the technology, but also increases the potential for unauthorized alteration and appropriation of copyrighted works. When drawings, books, and other forms of entertainment are stored in digital form, they "become more susceptible to copying or altering, making it harder to enforce copyrights on creative works."[14] The alteration of existing works raises serious copyright issues because of a copyright owner's right to all "derivative works."[15] Because of the increased danger of unauthorized access, alteration, and copying, some copyright scholars view digital technology as a more specific challenge to copyright than previous technological advances;[16] other commentators persuasively argue that the difference is one of degree, not kind.[17] In any event, digital technology facilitates access, copying, and distribution of traditional products in remarkable and potentially disruptive ways.[18]

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[10] *See* Visual Artists Rights Act of 1990, Pub.L. No. 101-650, 104 Stat. 5128, 5128-33 (codified in scattered sections of 17 U.S.C.).

[11] *See* John Burgess, "Internet Creates a Computer Culture of Remote Intimacy," *Wash.Post*, June 28, 1993, at A1, A8.

[12] *See, e.g., id.* at A1 ("[I]ncreasingly the [Internet] network is shuttling video footage, photos, government studies, novels, dissertations, music, sounds--information of all kinds in ... digital form...."); Bernard Sharratt, "Please Touch the Paintings," *N.Y. Times Book Rev.*, Mar. 6, 1994, at 3, 18 (describing an art collection on CD-ROM). For an extreme example of the view that digital technology is ideal for increasing accessibility to copyrighted works, *see* David H. Rothman, "The World at Your Fingertips," *Wash.Post*, Apr. 4, 1993 (Educ.Rev.), at 5, proposing that, in order to facilitate a network containing full-text books, "[a]ll material longer than 10,000 words, and intended for publication, would have to be in digital form before the government would grant copyrights."

[13] *See* "House Passes High Technology Information Bill," *J. Proprietary Rts.*, Sept. 1993, at 26.

Digital technology has not only influenced the use and distribution of works that are already in existence, but it has also led to new art forms.[19] For example, digital technology blurs the distinctions between entertainment media, enabling various parts of the entertainment industry to collaborate on a single multimedia work.[20] Digital technology has also led to new modes of expression, such as digital "resurrection" of characters from classic movies for use in commercials and other new settings.[21]

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[14] "Copyright World Duels With Digital Dilemma," *supra* note 6, at 3.

[15] *See infra* p. 1984.

[16] *See, e.g.*, Paul Goldstein, "Copyright in the New Information Age," 40 *Cath. U.L.R.* 829, 829 (1991) ("Copyright law finds itself today in the midst of an information revolution ... whose ultimate dimensions we can now perceive only dimly, if at all.").

[17] *See, e.g.*, Morton D. Goldberg & Jesse M. Feder, "Copyright and Technology: The Analog, the Digital, and the Analogy," in WIPO Digital Symposium, *supra* note 3, at 37, 38-40.

[18] *See* Don Clark, "Intel Lawyer Commands," *S.F. Chron.*, June 28, 1993, at E1.

[19] *See, e.g.*, Sean Gannon, "Canvas Brushed Aside By Artists With Keyboards," *Plain Dealer*, Jan. 9, 1994, at 9B (discussing "electronic painting"). Of course, new technological developments will never completely replace traditional products. *See* John Markoff, "The Rise and Swift Fall of Cyber Literacy," *N.Y. Times*, Mar. 13, 1994, § 4, at 1, 5; Nicholson, *supra* note 7, at 9.

[20] An example of a multimedia work is an "electronic book," which "contain[s] text and other information--sounds and still and moving images-- that [is] stored digitally on floppy disks or on CD-ROM." Nicholson, *supra* note 7, at 8.

[21] *See* Bruce Weber, "Why Marilyn and Bogie Still Need a Lawyer," *N.Y. Times*, Mar. 11, 1994, at B18. In fact, litigation has begun over the use of a digitized Marilyn Monroe in the 1987 film *Flashback*. *See* "Reanimating the Dead with Computers," *N.Y. Times*, Mar. 13, 1994, § 4, at 2. For a comprehensive look at the implications of digital resurrection, *see* Joseph J. Beard, "Casting Call

More fundamentally, digital technology results in the "democratization" of creation.[22] With digital technology, "every ... consumer is a potential author, a potential publisher, and a potential infringer -- all at once."[23] With a home computer, consumers can now create sophisticated entertainment products that only the largest corporations previously could make. Digital technology thus has social and cultural ramifications, as well as economic implications for smaller producers who can now make quality products with affordable digital equipment. The decentralization of creators, users, and distributors makes the prospect of informal arrangements between those parties formidable, and practitioners worry that present contract and licensing systems cannot accommodate these more fluid relationships.

II. COMPARING MORAL RIGHTS WITH THE LIMITED COPYRIGHT MONOPOLY

A. Moral Rights: An Artist-Centered Regime

The moral right, or "right of personality," is a civil law concept based on the view that an artist's creation is an extension of his personality.[24] These rights are separate from the proprietary,

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at Forest Lawn: The Digital Resurrection of Deceased Entertainers--A 21st Century Challenge for Intellectual Property Law," 8 *High Tech. L.J.* 101, passim (1993).

[22] *See* Brenda Laurel, *Computers as Theatre* 213 (1993).

[23] Ralph Oman, "Reflections on Digital Technology: The Shape of Things to Come," in WIPO Digital Symposium, *supra* note 3, at 21, 22.

[24] *See* Russell J. DaSilva, "Droit Moral and the Amoral Copyright: A Comparison of Artists' Rights in France and the United States," 28 *Bull. Copyright Soc'y* 1, 11-14 (1980); *see also* Zechariah Chafee, Jr., "Reflections on the Law of Copyright (I)," 45 *Colum.L.Rev.* 503, 506-07 (1945) ("[I]ntellectual property is, after all, the only absolute possession in the world.... The man who brings out of nothingness some child of his thought has rights therein which cannot belong to any other sort of property." (quoting Thorvald Solberg, "Copyright Reform," 14 *Notre Dame Law.* 343, 358 (1939) (quoting Harvard geologist Nathanial S. Shaler (1878)))).

There are four main types of moral rights: the droit de divulgation, which allows the author to decide whether and when to publish his work; the droit de retrait ou de repentir, which gives the author the right to withdraw his work from publication or modify his published work; the droit a la paternite (paternity or attribution right), which gives the author the right to be credited with his work; and the droit au respect de l'oeuvre (integrity right), which prevents third persons from altering, mutilating, or destroying the author's work and even gives artists in France the right to prevent excessive criticism of their works. *See* DaSilva, *supra*, at 3-4, 17-37. This Note uses the French system as a model because "France is considered to be in the vanguard of protection of the artist's rights of personality." *Id.* at 2. However, because the Berne Convention mandates only the paternity right and the integrity right, *see infra* note 50, the remainder of this Note focuses on those two sticks in the bundle of moral rights.

Although some of the continental moral rights jurisprudence does not seem to regard artists' rights as coinciding with the interests of the public, *see, e.g.*, Martin A. Roeder, "The Doctrine of Moral Right: A Study in the Law of Artists, Authors and Creators," 53 HARV.L.REV. 554, 557 or economic, rights of copyright, which are also available to artists in civil law countries. Sometimes described in terms of natural law,[25] some or all of the moral rights are inalienable in many countries.[26] Thus, under a moral rights regime, enforcement and ownership need not go hand in hand--the artist can sue the current owner of the work or of the copyright for moral rights violations.

Moral rights are thought to encourage artistic creation by giving artists the protection they desire -- recognition for their works and protection of their reputations -- over and above the economic incentives of copyright. In this way, the moral right is partially an economic interest: the reputational interest is valuable in large part because the artist stands to lose patronage if his art is misrepresented.[27] Nevertheless, moral rights regimes use more personal language than do the Anglo-American courts to describe the artist,[28] and Continental-European scholars have generally been more averse to according rights to nontraditional (that is, computer-generated) art work.[29] The

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(1940), moral rights do have a public-interest element, see id. at 577. In addition to stimulating creative work, moral rights preserve a society's cultural heritage by protecting creators against the mutilation or destruction of their works. The public interest element of the moral rights regime, however, is different in emphasis from that of the Anglo-American system, which is discussed at pp. 1982-84 below.

[25] *See, e.g.*, DaSilva, *supra* note 24, at 11.

Although it is tempting to think of moral rights as "moral" in the philosophical sense, and although some aspects of the moral right are explained in terms of a natural right to one's creations, the manifestations of the moral right do not necessarily derive from a Lockean or other natural-law property notion of intellectual property, such as the one developed by Professor Wendy Gordon. *See* Wendy J. Gordon, "A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property," 102 *Yale L.J.* 1533, 1540-83 (1993).

[26] *See* DaSilva, *supra* note 24, at 16-17.

[27] *See Gilliam v. American Broadcasting Cos.*, 538 F.2d 14, 24 (2d Cir.1976) ("[T]he economic incentive for artistic and intellectual creation that serves as the foundation for American copyright law ... cannot be reconciled with the inability of artists to obtain relief for mutilation or misrepresentation of their work to the public on which the artists are financially dependent." (citations omitted)).

[28] *See, e.g.*, DaSilva, *supra* note 24, at 12 (describing one commentator's characterization of the artist protected by moral rights as "profoundly romantic ..., perhaps conjuring up visions of poets in garrets, burning their lyric masterpieces for heat in the icy Parisian winter"); cf. Roeder, *supra* note 24, at 557 ("When an artist creates, ... he projects into the world part of his personality and subjects it to the ravages of public use.").

[29] The bias against corporate authors is reflected in the fact that most European countries do not have a "work for hire" doctrine--in other words, they do not give corporations the copyrights in their employees' creations. *See* Anne Moebes, "Negotiating International Copyright Protection: The United States and European Community Positions," 14 *Loy.L.A. Int'l & Comp.L.J.* 301, 320 (1992). Similarly, although the Berne Convention "seems neutral on the possibility of nonhuman

paradigmatic civil law artist who would desire moral rights protection is more likely to be an individual artist than a computer or a corporation producing works for large-scale distribution.

B. Anglo-American Copyright: An Incentive-Based Regime

Modern American intellectual property law grows out of a single clause in the Constitution that grants Congress the power "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."[30] The well-documented view of the Copyright Clause and the Copyright Act is that they reflect an effort to strike a utilitarian compromise between the encouragement of creative effort and the assurance that new creations will reach the public and thus be available for use in other endeavors.[31] In this balance, the author's interests are generally considered secondary to the public interest, sometimes even termed a "means to an end."[32] For example, the courts at common law developed concepts such as fair use to prevent the copyright monopoly from defeating its purpose of ensuring that the public can make use of others' creations.[33]

Some states have statutes or common law that confer moral rights or quasi- moral rights to certain types of artists,[34] and occasionally courts attempt to use unfair competition,[35] copyright law,[36]

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authorship," historically the civil law countries have not recognized nonhuman authors. Miller, *supra* note 9, at 1050.

[30] U.S. Const. art. I, § 8, cl. 8.

[31] *See, e.g., Mazer v. Stein*, 347 U.S. 201, 219 (1954). But *see* Chafee, *supra* note 24, at 506-07 (arguing that the primary purpose of copyright is to benefit the author).

[32] Elliott M. Abramson, "ow Much Copying Under Copyright? Contradictions, Paradoxes, Inconsistencies,"61 *Temp.L.Rev.* 133, 169 (1988); *see also Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349 (1991) ("The primary objective of copyright is not to reward the labor of authors, but '[t]o promote the Progress of Science and Useful Arts.' " (quoting U.S. Const. art. I, § 8, cl. 8)).

[33] Congress codified fair use, which was initially a common law doctrine, in the 1976 Act. *See* 17 U.S.C. § 107 (1988 & Supp. IV 1992). As a result of fair use and other such doctrines, United States copyright "has never accorded the copyright owner complete control over all possible uses of his work." *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 432 (1984).

[34] *See, e.g.*, Cal.Civ.Code §§ 980-990 (West 1988 & Supp.1994); *N.Y Arts & Cult. Aff.Law* §§ 11.01-16.01 (Consol.1991). Although quasi- moral rights statutes provide some degree of protection to artists, they may be partially or completely preempted by VARA, *see* 17 U.S.C. § 301 (1988 & Supp. IV 1992), and they also tend to be limited to certain types of art work. *See, e.g.*, *Mass.Gen.Laws Ann.* ch. 231 § 85s (West Supp.1993).

[35] Lanham Act section 43(a), 15 U.S.C. § 1125(a) (1988), protects artists against misrepresentation or "passing off" of their work. *See, e.g., Allen v. National Video, Inc.*, 610 F.Supp. 612, 625

defamation law,[37] contract law,[38] or publicity rights[39] to accomplish the same result as would European moral rights.[40] Yet American courts have not warmly received attempts to embrace moral rights.[41] Instead, the Copyright Act grants authors a series of exclusive rights -- the reproduction right, the derivative work right, the distribution right, the public performance right, and the display right[42] -- that are limited in duration and restricted by other copyright doctrines.[43]

The American copyright system assumes that artists will produce creative works only if given the incentive of a limited monopoly. Such a system, in theory, does not distinguish between "fine

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(S.D.N.Y.1985). State unfair competition law also indirectly protects the attribution right. *See, e.g., Granz v. Harris*, 198 F.2d 585, 588 (2d Cir.1952).

[36] The right of a copyright holder "to prepare derivative works based upon the copyrighted work," 17 U.S.C. § 106(2) (1988), and "to distribute copies ... of the copyrighted work to the public," id. § 106(3), occasionally substitutes for certain moral rights. *See, e.g., Gilliam v. American Broadcasting Cos.*, 538 F.2d 14, 23-24 (2d Cir.1976).

[37] Because artists are often public figures only for a "limited purpose" under defamation law, however, they may be unsuccessful if they cannot prove actual malice. *See, e.g. Wojnarowicz v. American Family Assoc.*, 745 F.Supp. 130, 146 (S.D.N.Y.1990).

[38] *See, e.g., Gilliam*, 538 F.2d at 24.

[39] *See, e.g., White v. Samsung Elecs. Am.*, 971 F.2d 1395, 1399 (9th Cir.1992), *cert. denied*, 113 S.Ct. 2443 (1993).

[40] *But see* Roberta R. Kwall, "Copyright and the Moral Right: Is An American Marriage Possible?," 38 *Vand. L.Rev.* 1, 23-27 (1985) (noting that, because the artist must fit his claim into the doctrinal requirements of these causes of action, they are not exact substitutes for moral rights).

[41] *See, e.g., Vargas v. Esquire*, 164 F.2d 522, 526 (7th Cir.1947) (holding that Vargas had no right to be credited when his photographs appeared in Esquire); *Crimi v. Rutgers Presbyterian Church*, 89 N.Y.S.2d 813, 816-19 (Sup.Ct.1949) (holding that an artist had no right to prevent a church from painting over his mural); *Shostakovich v. Twentieth Century-Fox Film Corp.*, 80 N.Y.S.2d 575, 578-79 (Sup.Ct.1948) (displaying hostility toward the claims of Russian composers that their moral rights were violated when their music was played in an anti-Soviet film and wondering whether the standard for violations of moral rights is "to be good taste, artistic worth, political beliefs, moral concepts or what is it to be?"), *aff'd*, 87 N.Y.S.2d 430 (App.Div.1949).

Indeed, not until California's 1979 Art Preservation Act, Cal. Civ. Code § 987 (West 1982), did a state confer moral rights on artists by statute. *See* DaSilva, *supra* note 24, at 2.

[42] *See* 17 U.S.C. § 106 (1988).

[43] *See id.* §§ 107-112.

art" and other forms of creation, and it may even seem less applicable to the former than the latter.[44] Congress has protected "maps and charts" since the original 1790 Copyright Act, and despite some initial opposition,[45] computer programs now receive protection under the same statute as fine art. Regardless of whether, in practice, courts treat all creations as equal, in theory the threshold of originality is low enough and the definition of authorship is flexible enough to include any type of work by any type of author.[46] Thus, works wholly created in digital format are quite easily protected under copyright.[47]

III. THE FEDERAL MOVE TOWARD MORAL RIGHTS: THE VISUAL ARTISTS RIGHTS ACT

In 1988, the United States finally[48] joined the century-old Berne Convention for the Protection of Literary and Artistic Works (Berne).[49] The approximately eighty members of Berne are required to provide a certain level of substantive protection -- including certain types of moral rights – to literary, artistic, scientific, and other creative works.[50] Not surprisingly, the requirement that members recognize the moral rights of attribution and integrity significantly slowed the Congressional hearings leading to the decision to join Berne.[51] Ultimately, Congress took a minimalist approach to compliance and concluded that existing indirect federal and state protection is adequate to protect moral rights in all but visual art.[52]

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[44] Whether the paradigmatic artist needs the economic incentive of the copyright to create is certainly open to debate. Cf. Stephen Breyer, "The Uneasy Case for Copyright: A Study of Copyright in Books, Photocopies, and Computer Programs," 84 *Harv. L. Rev.* 281, 282 (1970) ("Authors in ancient times, as well as monks and scholars in the middle ages, wrote and were paid for their writings without copyright protection.").

[45] *See* Miller, *supra* note 9, at 1053 n. 358 (discussing novelist John Hersey's stance during the CONTU hearings, during which Hersey opposed copyright protection for computer programs).

[46] *See, e.g., id.* at 1059-66. For a work to be copyrightable, it must be an "original work[ ] of authorship fixed in any tangible medium of expression." 17 U.S.C. § 102 (1988). Originality for purposes of copyright means little more than originating with the author; thus, copyright does not contain an artistic-merit test, and "Congress has been hostile to content-based restrictions on copyrightability." *Mitchell Bros. Film Group v. Cinema Adult Theater*, 604 F.2d 852, 855 (5th Cir.1979), *cert. denied*, 445 U.S. 917 (1980). Instead, any tangible form of expression that originates with an author will be protected. *See* 1 Paul Goldstein, "Copyright" § 2.2, at 62-73 (1989). However, a relatively recent case, in which the Supreme Court held that assembling the white pages of a phone book "does not possess the minimal creative spark required by the Copyright Act and the Constitution," *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 111 S.Ct. 1282, 1296-97 (1991), casts doubt on whether the originality threshold is as low as was previously assumed.

[47] *See* Miller, *supra* note 9, at 1042-72.

[48] As early as 1945, and perhaps earlier, "[a]gitation to revise our copyright law so as to make the United States eligible for membership" was already "constant and powerful." Roeder, *supra* note 24, at 557.

[49] *See* Berne Convention Implementation Act of 1988, Pub.L. No. 100- 568, § 2, 102 Stat. 2853 (Oct. 31, 1988). For the legislative history of the United States's decision to join the Berne Convention, see H.R.Rep. No. 609, 100th Cong., 2d Sess. (1988); S.Rep. No. 352, 100th Cong., 2d Sess. (1988), reprinted in 1988 U.S.C.C.A.N. 3706.

To achieve compliance in the area of visual art, Congress amended the Copyright Act by passing VARA, which applies to the original and signed, consecutively numbered limited editions of 200 or fewer copies of the following copyrightable works: paintings, drawings, prints, sculptures, and photographs "created for exhibition purposes."[53] VARA does not protect such creations if they appear within another visual art work.[54] Moreover, works for hire are excluded from VARA's protections.[55] In order to "avoid any tension between the public's ability to exploit the work under copyright law and the rights granted under VARA,"[56] Congress also made fair use an explicit limitation on VARA rights.[57] Finally, although the VARA rights cannot be assigned or transferred, they can be waived under certain conditions.[58]

One area of great uncertainty involving VARA is whose rights will take priority if an artist transfers the copyright in a painting or other visual art work to another party who then exercises his derivative work right in a way that the artist feels violates his integrity right.[59] In such a situation, it is likely that the owner of the copyright will prevail; as Professors L. Ray Patterson and Stanley

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[50] The Berne Convention provides that:

> Independently of the author's economic rights, and even after the transfer of said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honour or reputation. Berne Convention art. 6 bis, reprinted in 4 David Nimmer & Melville B. Nimmer, "Nimmer on Copyright" 27-6 app. (1993).

[51] *See* H.R.Rep. No. 609, 100th Cong., 2d Sess. (1988); S.Rep. No. 352, 100th Cong., 2d Sess. (1988), reprinted in 1988 U.S.C.C.A.N. 3706.

[52] *See* "Final Report of the Ad Hoc Working Group on U.S. Adherence to the Berne Convention," 10 *Columbia J.L. & Arts* 513, 547-57 (1986).

[53] VARA § 602, 17 U.S.C. § 101 (Supp. IV 1992).

[54] *See* 17 U.S.C. § 106A(c)(3) (Supp. IV 1992).

[55] *See* VARA § 602, 17 U.S.C. § 101 (Supp. IV 1992).

[56] H.R.Rep. No. 514, 101st Cong., 2d Sess. 14 (1990), reprinted in 1990 U.S.C.C.A.N. 6915, 6924.

[57] *See* 17 U.S.C. § 106A(a).

[58] *See id.* § 106A(e).

[59] *See* Robert A. Gorman, "Copyright Law" 88 (1991).

Lindberg note, "property is a favored child of the common law, personal rights a stepchild. When there is a conflict between the two, the property rights almost invariably prevail."[60] Thus, even formal moral rights protection has built-in limitations in the United States, although VARA does purport to protect the rights of visual artists as required by the Berne Convention.

VARA gives the visual artist two types of integrity rights. First, the artist has the right to prevent any intentional distortion, mutilation, or other modification of [his or her] work which would be prejudicial to his or her honor or reputation, and any intentional distortion, mutilation, or modification of that work is a violation of that right.[61]

The legislative history of VARA indicates that, in construing whether a particular action is harmful to an artist's honor or reputation, the focus should be "on the artistic or professional honor or reputation of the individual as embodied in the work that is protected," and not the more general character test used in defamation cases.[62] Second, the visual artist may "prevent ... any intentional or grossly negligent destruction" of works of "recognized stature."[63]

Explicit and implicit limitations on the VARA integrity right render it unequal to its civil law origins regardless of the effect of digital technology.[64] First, the visual artist whose work is not of recognized stature cannot prevent the distortion of his work unless the distortion is intentional. This limitation creates a dichotomy between well-known and other works that is not present in the civil law system. Second, prejudice to the artist's honor or reputation is unlikely to be presumed by American courts and is difficult to prove;[65] by contrast, many of the European countries presume prejudice if any modification is involved.[66] Third, section 113(d) of the Act limits the rights of an artist whose visual art work is removed from a building. Such an artist has a cause of action only if the work can be removed from the building without harming the work or if the artist did not consent to its installation prior to VARA's effective date.[67] Finally, because reproductions are exempted from VARA's coverage, the visual artist has no cause of action against "discolored or badly cropped reproductions"[68] unless they violate the derivative work right or another informal type of protection.[69]

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[60] L. Ray Patterson & Stanley W. Lindberg, "The Nature of Copyright: A Law of Users' Rights" 166 (1991).

[61] 17 U.S.C. § 106A(a)(3)(A).

[62] *See* H.R.Rep. No. 101-514, 101st Cong., 2d Sess. 15 (1990), reprinted in 1990 U.S.C.C.A.N. 6915, 6925.

[63] 17 U.S.C. § 106A(a)(3)(B).

[64] For observations specific to digital technology, *see below* at pp. 1987-91.

[65] For example, American courts have not been particularly sensitive to directors' or others' claims that their works have been impermissibly altered by editing for commercials, reduction in size for television, or any number of other digital alterations. *See* ".S. Copyright Office, Technological Alterations to Motion Pictures and Other Audiovisual Works: A Report of the Register of Copyrights"91-92 (1989).

[66] *See infra* p. 1989.

VARA also gives visual artists two attribution rights. First, the artist has the right to "claim authorship" of his work of visual art and "to prevent the use of his or her name as the author of any work of visual art which he or she did not create."[70] Second, the artist can "prevent the use of his or her name as the author of the work of visual art in the event of a distortion, mutilation, or other modification of the work which would be prejudicial to his or her honor or reputation."[71] These rights are substantially similar to the traditional attribution right in the civil law countries, although they are subject to fair use and other limitations.[72]

IV. USING VARA TO ADDRESS THE CONSEQUENCES OF DIGITAL TECHNOLOGY

With the passage of VARA, Congress expressed the general view that "[a]rtists' rights are consistent with the purpose behind the copyright laws and the Constitutional provision they implement."[73] Yet the two- tiered system that Congress created, under which explicit moral rights are restricted to creators of limited-edition visual art works[74] and all others must rely on state and informal federal protection, is inconsistent with the traditional interpretation of the Copyright Clause, which does not contemplate distinctions based on artistic merit or artistic form. Digital technology forces us to examine whether it will be possible to use VARA to filter out the illegitimate uses of digital technology in order to protect traditional artists who may fall victim to unauthorized digital uses of their works, without at the same time discouraging the aspects of digital technology that fulfill the mandate of the Copyright Clause.

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[67] *See* 17 U.S.C. § 113(d).

[68] Gorman, *supra* note 59, at 87-88.

[69] *See supra* pp. 1983-84.

[70] 17 U.S.C. § 106A(a)(1).

[71] *Id.* § 106A(a)(2).

[72] *See infra* pp. 1988-91.

[73] H.Rep. No. 514, 101st Cong., 2d Sess. 5 (1990), reprinted in 1990 U.S.C.C.A.N. 6915, 6915.

[74] *See* 17 U.S.C. § 106A (Supp. IV 1992).

A. Encouraging the Legitimate Use of Digital Technology

Because the most common art forms that use digital technology are not covered by VARA, moral rights cannot affirmatively encourage artists to create digital works.[75] Most digital works will not meet the definition of visual art in VARA because they will not be signed limited editions. As indicated above, works made for hire and the most common mass-marketed art forms, such as films, are expressly excluded from VARA's definition of visual art. More important than active encouragement, however, is the question whether the moral rights that are available to visual artists, in combination with the rest of the Copyright Act, will impede full legitimate exploitation of digital technology. This inquiry is a critical one because in many ways digital technology itself promises to fulfill the goals of access and dissemination.

Although many predicted that incorporating moral rights into the American system would disrupt the balance between encouraging creativity and ensuring access to new creations, digital technology itself makes it desirable to adjust that balance. Certain moral rights do, however, have the potential to impede the access and development that is the constitutionally mandated purpose of copyright. For example, international commentators recognize that the author's moral right to withdraw his work, which is not mandated by the Berne Convention, may need to be restricted in a digital age.[76]

The VARA rights available to traditional artists may impede the development of digital art work. Because VARA is limited to certain types of entertainment products, it creates "artificial distinctions" between traditional and nontraditional works that may not be "operational in facing the growing diversity of technological possibilities."[77] Digitally based works will most likely suffer under such a system. Whereas the copyright system has a low originality threshold, VARA is applicable only if an artist's reputation or honor is harmed, which generally requires some mutilation of a "work of recognized stature."[78] Because most digital works appropriate existing materials and manipulate them as part of the artistic statement, unauthorized digital works will often violate the rights of an artist who has created a work of "recognized stature." A system in which the creative use of existing materials is a common target for successful litigation is unlikely to encourage new digitally based works.[79]

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[75] For example, multimedia works are unlikely to be affected by VARA, except perhaps in the area of overseas distribution. *See* William A. Tanenbaum & William K. Wells, Jr., "Multimedia Works Require Broad Protection," *Nat'l L.J.*, Nov. 1, 1993, at S11, S12.

[76] *See, e.g.*, Ashok Bhojwani, "Digital Recording Technologies and Intellectual Property: Promises and Pitfalls for Development," in WIPO Digital Symposium, *supra* note 3, at 79, 85.

[77] Andre Lange, "The Impact of Digital Technologies on the Author's Right and Neighboring Rights," in WIPO Digital Symposium, *supra* note 3, at 227, 234.

[78] 17 U.S.C. § 106A(a)(3)(B) (Supp. IV 1992). This is not, however, intended to be a hard and fast rule. Although the two concepts are related, "honor or reputation" is distinguished from "works of recognized stature" in the legislative history of VARA. *See* H.Rep. No. 514, 101st Cong., 2d Sess. 15, reprinted in 1990 U.S.C.C.A.N. 6915, 6925-26.

As compared with VARA, however, a true moral rights regime would be even more inflexible when faced with technological manipulation of works, and international distributors of entertainment products should be aware of the possibility of such treatment in other countries. In one Italian case, for example, filmmaker Pietro Germi's son successfully sued a television company for interrupting Germi's movie "Serafino" for commercial breaks.[80] The court held that "even a single commercial break in a film constitutes an alteration of the work's integrity and therefore violates the director's moral rights."[81] In addition to setting "a precedent that could have longrange effects ... in every country that adheres to the Berne Convention,"[82] this ruling demonstrates that traditional moral rights give a significant advantage to the party who wishes to prevent digital alteration of a work.

B. Discouraging the Illegitimate Use of Digital Technology

Because widespread infringement of copyrighted material discourages creation of all kinds, the copyright regime should seek to thwart digital technology's facilitation of unauthorized manipulation and reproduction of copyrighted works. For example, the declining profitability of traditional media in the face of easy copying and easy access could chill creativity as traditional copyright's protection against unauthorized use becomes more and more ineffectual.[83] Yet VARA appears ill-equipped to deal with the challenges of protecting copyrighted material in the age of digital technology. In particular, three qualifications built into VARA are likely to pose problems for artists seeking to protect their works from digital alteration: the narrow exclusion of films and other audiovisual works from coverage,[84] the exclusion of works of visual art that are embodied in other works,[85] and the applicability of the fair use provision.[86]

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[79] A more fundamental problem is identifying who should get the moral right in a digital work. Copyright has not viewed a publisher or end user as an author, although with digital technology each performs many creative functions. *See* Jon A. Baumgarten, "Digital Use of Scientific and Technical Information," in WIPO Digital Symposium, *supra* note 3, at 63, 64.

Fearing that the integrity right would impair the full exploitation of digital technology by preventing alteration and limiting the use of preexisting works as building blocks for other works, broadcasters and others are vehemently opposed to moral rights. *See* Cathy Seidner & Kimon P. Timon, "Preserving Intangible Rights in Films Shown on Television," *N.Y.L.J.*, May 25, 1990, at 5. However, VARA exempts such uses.

[80] See Jennifer Clark, "Italo Court: TV Ad Breaks Violate Moral Rights of Pic's Helmer," *Variety*, Oct. 18-24, 1989, at 6, 6.

[81] *Id.* (quoting the court).

[82] *Id.*

[83] *See supra* pp. 1979-80. One British lawyer warns that "emerging multimedia technology--which allows seamless and virtually indetectable copying--'makes a nonsense of moral rights.'" Victoria Slind-Flor, "International Bar Group Meets but Finding a Consensus Proves Elusive," *Nat'l L.J.*, Sept. 20, 1993, at 12 (quoting Jack Black of London's Radliffe's & Co.).

First, although films and other audiovisual works are among the most common victims of unauthorized digital alteration, VARA explicitly excludes them from the definition of a protected work of visual art.[87] The legislative history of VARA suggests that Congress drafted this exclusion based on perceived differences, both factual and legal, in the creation and dissemination of visual arts and audiovisual works.[88] For example, the House Report states that, unlike visual arts, "audiovisual works are generally works-made-for-hire;" thus, to grant moral rights to "those who participate in a collaborative effort, such as an audiovisual work," Congress noted, "might conflict with the distribution and marketing of these works."[89] The report also noted that, unlike works that can potentially be produced in unlimited quantities, original works of visual art are irreplaceable.[90] By focusing too heavily on current marketing practices and on whether a work could be replaced if it were destroyed, Congress overlooked the critical analysis of the interests of the artist and whether an artist is more likely to have his work incorporated into such a "collaboration" with or without his permission. VARA's exclusion of audiovisual work ignores the fact that colorization and other alteration of films can be as much, if not more, of an affront to an artist-director's reputation as any alteration of a painting.[91] A significant segment of the entertainment industry is still lobbying for legislative responses to its greatest concerns about digital technology.

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[84] *See* 17 U.S.C. § 101 (Supp. IV 1992).

[85] *See id.* § 101.

[86] *See id.* §§ 106A(a), 107.

[87] *See id.* § 101.

[88] *See* H.Rep. No. 514, 101st Cong., 2d Sess. 9 (1990), reprinted in 1990 U.S.C.C.A.N. 6915, 6919.

[89] *Id.*

[90] *See id.*

[91] *See, e.g.*, "Report of the Register of Copyrights, United States Copyright Office," Washington, D.C. (Mar. 1989), reprinted in "Report, Technological Alterations to Motion Pictures and Other Audiovisual Works: Implications for Creators, Copyright Owners, and Consumers," 10 *Loy.Ent.L.J.* 1, 103 (1990) [hereinafter "Register's Report on Technological Alteration"]; *see also* Seidner & Timon, *supra* note 79, at 6 ("The only time I lose my integrity as a filmmaker ... is when my films go on TV...." (quoting Steven Spielberg)). Today, the basic agreement of the Directors Guild of America requires that the director be notified and consulted about such editing, but that the director does not get the "final cut." Certain recent bills reflect the directors' concerns. *See, e.g.*, 139 Cong. Rec. S8351, S8353-54 (daily ed. June 30, 1993) (statement of Sen. Simpson) (introducing the Film Disclosure Act of 1993, S. 1181, 103d Cong., 1st Sess., which would amend Lanham Act § 43(a) to require that materially altered films include labels disclosing the nature of the alteration and any objections on the part of the artistic authors).

Second, VARA does not protect visual art that appears in audiovisual works or other creations that are not protected by VARA.[92] In other words, VARA does not protect visual artists from the most common digital uses of their works.[93] Yet the legislative history of VARA states that "a new and independent work created from snippets of excluded materials, such as a collage, is of course not excluded" from coverage.[94] Thus, certain types of appropriation art might gain incidental moral rights protection if they are found to be independent works of recognized stature that fit one of the categories of protected art. But the statute does not contemplate that the reverse could be true; covered works that are incorporated into new works are not given a cause of action other than intentional or negligent mutilation. Digital applications that would not require mutilation or destruction of an art work – scanning of a painting for inclusion in a multimedia work, for example – can seemingly take place without violating VARA.[95] The availability of moral rights to traditional artists in such situations might have made these artists more likely to agree to the use of their works in digital creations. Instead, the VARA exemptions provide incidental protection only to appropriationists while simultaneously depriving visual artists of a cause of action against them.

Third, subjecting the VARA rights to the fair use provision of the Copyright Act places American visual artists at a distinct disadvantage as compared with artists in countries that do not recognize a fair use defense to violations of moral rights.[96] If appropriation art is considered a form of critical commentary,[97] fair use will seriously undermine artists' potential to challenge unauthorized digital works. Thus, although traditional copyright doctrines usually give artists sufficient incentives to create, if creators feel aggrieved by digital alteration that is not explicitly forbidden by our copyright law, a myopic focus on traditional Anglo-American rights in creative products may compromise the incentive to create.[98]

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[92] *See* H.Rep. No. 514, 101st Cong., 2d Sess. 17 (1990), reprinted in 1990 U.S.C.C.A.N. 6915, 6927.

[93] Significantly, however, the implications of digital technology are not explicitly addressed in the legislative history of VARA.

[94] H.Rep. No. 514, 101st Cong., 2d Sess. 14, reprinted in 1990 U.S.C.C.A.N. 6915, 6924.

[95] But such activities might violate the derivative work right or the distribution right. *See* 17 U.S.C. § 106 (1988 & Supp. IV 1992).

[96] *See* Moebes, *supra* note 29, at 320.

[97] Cf. *Campbell v. Acuff-Rose Music, Inc.*, 114 S.Ct. 1164, 1173 (1994) (stating that a rap song's parody "reasonably could be perceived as commenting on the original or criticizing it, to some degree").

[98] *See, e.g.*, H.Rep. No. 514, 101st Cong., 2d Sess. 6 (1990), reprinted in 1990 U.S.C.C.A.N. 6915, 6916.

Digital technology does, however, make it exceedingly difficult to police the unauthorized use of a copyrighted work. *See* Lange, *supra* note 77, at 230-31. Because end users can alter digitized works almost effortlessly, the transaction costs would be prohibitive for an artist who

C. Policy Advantages to the VARA Rights

Although VARA has the potential to stifle digital technology in a manner contrary to the constitutional mandate, it is also defensible on the basis of various important policy objectives. Just as fair use is justified as a way to ensure that the copyright monopoly does not extend too far, so too might moral rights, which also limit the copyright monopoly, be a justified impediment to one form of creation in order to avoid stifling other art forms.[99] In addition, federal moral rights could help to unify the various state regimes that currently provide only nebulous moral rights protection.[100] Such unification would be beneficial because "patchwork measures rarely approximate the degree of protection afforded by a cohesive legal theory."[101] Likewise, explicit recognition of moral rights could increase business certainty in an age of global entertainment markets. When entertainment products are created with a view toward international markets, it is sensible to treat international consistency in the protection of these products as an independently valuable objective.[102]

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wanted to approve or disapprove even the most trivial "transformative" use of his art work. Cf. Pierre N. Leval, "Toward a Fair Use Standard," 103 *Harv.L.Rev.* 1105, 1111 (1990) (proposing that fair use turn on whether a given use is "transformative," defined as a use that is "productive" and employs the original work "in a different manner and for a different purpose from the original").

[99] Indeed, Professors Patterson and Lindberg argue that:

> The vice of the copyright monopoly unlimited by the moral-rights doctrine (and barely limited by the fair-use doctrine) is that copyright ceases to be merely a monopoly for protection against competitors; it becomes a monopoly also against both authors and users. Thus, authors are severely restricted, not only in the right to protect their own products but also in the use they may make of the works of other authors to create new works.... And the monopoly against users inevitably inhibits the fulfillment of the constitutional purpose of copyright, the promotion of learning.

Patterson & Lindberg, *supra* note 60, at 172.

[100] *See supra* p. 1983.

[101] Kwall, *supra* note 40, at 18; *see also* Roeder, *supra* note 24, at 575 ("The application of so many different doctrines to a subject matter which is intrinsically homogeneous produces confusion; choice of theory becomes dependent on a fortuitous combination of factors, rather than on the basic needs of the problem." (footnote omitted)).

[102] *See* "The Visual Artists Rights Act of 1989," Hearings on H.R. 2690 Before the Subcomm. on Courts, Intellectual Property, and the Administration of Justice of the House Comm. on the Judiciary, 101st Cong., 1st Sess. 37 (1989) (statement of Ralph Oman, Register of Copyrights).

Former Congressman Robert Kastenmeier notes that:

> popular culture and information have become export commodities of immense economic value. That value is badly eroded by low international copyright standards. Berne standards, by contrast, are appropriately high and are widely accepted by the international copyright community. By lending our prestige and power to those standards, we have improved domestic copyright law and bolstered our own credibility in the international legal system.

The advantages of moral rights in a digital age are not limited to artists or other creators. Explicit recognition of moral rights might fill the gap left by the new informality of our copyright regime[103] in ways that would benefit the public interest.[104] For example, the film-preservation movement argues that great films should be preserved in their original form in order to preserve our cultural heritage.[105] Indeed, VARA's limitation of its negligence cause of action to works of "recognized stature"[106] reflects a concern for the public's interest rather than exclusively that of the artist.[107]

V. CONCLUSION

Part of the difficulty in deciding whether moral rights are beneficial in a digital age is that the technological trends seem to pull in opposing directions. On the one hand, advances in technology that make it possible to alter works in ways that were never before imagined counsel for giving artists more control over their creations. On the other hand, technology puts pressure on artist-centered regimes, because technologically assisted works do not fit the paradigmatic view of art. Moreover, the inter-industry conflicts generated by digital technology make it unclear what

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Robert W. Kastenmeier, "The 1989 Horace S. Manges Lecture – Copyright in an Era of Technological Change: A Political Perspective," 14 *Columbia J.L. & Arts* 1, 12 (1989). Recognition of moral rights in the United States imposes little additional cost when entertainment products are vulnerable to attack on moral rights grounds in other countries that are major markets for these products. *See* Tanenbaum & Wells, *supra* note 75, at S12.

[103] Membership in Berne required the United States to eliminate or modify many of the formal requirements for a valid copyright--notice, deposit, and registration--that had characterized the 1909 Copyright Act. *See* Jane C. Ginsburg & John M. Kernochan, "One Hundred and Two Years Later: The U.S. Joins the Berne Convention," 13 *Columbia J.L. & Arts* 1, 12-16 (1988).

[104] Cf. David Streitfeld, "Copyright Controversy: Artists, Library at Odds Over Registration," WASH. POST, Mar. 5, 1993, at C2 ("[M]any important unpublished works have come to the [L]ibrary [of Congress] under copyright deposit, including a first edition of a Dvorak opera and choreography by Agnes de Mille." (referring to the testimony of Librarian of Congress James Billington before the House Subcomm. on Patents, Copyrights and Trademarks, Mar. 4, 1993)).

[105] Any attempt to characterize such rights in terms of the public interest, though probably the easiest way to assimilate them into the American system, will have its own problems: moral rights justified in terms of the public interest would be limited by the Takings Clause, with the public interest in art preservation weighed against the burden on the individual who seeks to use his property in a way contrary to that interest. *See* Craig A. Wagner, "Note, Motion Picture Colorization, Authenticity, and the Elusive Moral Right," 64 *N.Y.U.L.Rev.* 628, 722-24 (1989).

[106] 17 U.S.C. § 106A(3)(B) (Supp. IV 1992).

[107] Indeed, this goal is reflected in the legislative history of VARA. *See* H.Rep. No. 514, 101st Cong., 2d Sess. 6 (1990), reprinted in 1990 U.S.C.C.A.N. 6915, 6916 (statement of Rep. Edward J. Markey).

result will "promote the progress of science and the useful arts." Yet to the extent that moral rights are limited to "traditional" creators, a significant number of new works remain protected by the traditional copyright doctrines.

Thus, although VARA may impede full exploitation of digital technology, it has the advantage of harmonizing international intellectual property law at a time when international transactions involving entertainment products are commonplace. Although moving toward a system that will impede technological advances may seem unwise, the VARA rights will ultimately be consonant with the rationale of intellectual property protection if they encourage creation in a digital age.

VIII. OWNERSHIP AND DISCLOSURE OF RESEARCH DATA

A. PUBLIC DISCLOSURE

B. STUDENTS

RESEARCH UNDER THE MICROSCOPE:
A Primer on University Research Programs*

June 30, 1999
NACUA Annual Conference
Nashville, TN

Nick Goodman
University Attorney
University of Arizona
Tucson, AZ

I. DATA MANAGEMENT AND OWNERSHIP

A. Why the Concern?

1. Data integrity (needed for replication, verification, and/or extension of research findings)
2. Access by sponsors and universities for protection of intellectual property rights
3. Federal regulations
4. Resource sharing with scientific community
5. Scientific integrity
6. Allegations of scientific misconduct
7. Institutional Review Boards (IRB -- Human Subjects Committee)
8. Conflicts of interest
9. Protect the university and its employees from loss or misuse of research data
10. Protect research data from unreasonable requests from any source that might impede the research process
11. Contractual obligations to, and concerns of, private sponsors of research

B. Initial questions to consider:

1. What is the research data comprised of?
2. What ownership rights are in question?
3. Who created or produced the research data?
4. What is that person's relationship to the university? (e.g., student, employee, visitor)

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* This outline includes only the section pertaining to "Data," as presented by Mr. Goodman.

5. Are there documents governing this relationship? (e.g., employment contracts, university policies/handbooks)
6. Who funded the creation of the data, and with what obligations and rights? (e.g., federal or private; grant, contract, affiliation, joint venture)
7. Have there been any transfer of rights? (e.g., assignment of copyright, physical transfer, grant of options, licensing)

C. Data defined

1. Categories:

   -- primary (original, raw)
   -- compiled (multiple sources)
   -- derivative (conclusions)

2. Scope of Definitions:

   a. broad scope (more inclusive, but potential significant costs for storage, access and security)

   b. narrow scope (more precise, but could leave institution at significant risk to challenges of scientific integrity)

   c. specific listing (will vary depending upon the discipline or particular circumstances)

3. Examples of definitions:

   a. Federal Acquisition Regulations: "... recorded information, regardless of form or the media on which it may be recorded. The term includes technical data and computer software." (45 CFR 17.401)

   b. Public Health Service (PHS): "unique research resources:" "synthetic compounds, organisms, cell lines, viruses, cell products, cloned DNA, DNA sequences, mapping information, crystallographic coordinates, and spectroscopic data. (e.g., specialized and/or genetically defined cell lines, including normal and diseased human cells; monoclonal antibodies; hybridoma cell lines; microbial cells and products; viruses and viral products; recombinant nucleic acid molecules; DNA probes; nucleic acid and protein sequences; certain types of animals such as transgenic mice; and intellectual property such as computer programs)"

c. Good Laboratory Practices Standards of EPA (40 CFR 742) and FDA (21 CFR 58): "Raw data means any laboratory worksheets, records, memoranda, notes or exact copies thereof, that are the result(s) of original observations and activities of a study and are necessary for the reconstruction and evaluation of the report of that study. Raw data include photographs, microfilm or microfiche copies, computer print-outs, magnetic media, including dictated observations and recorded data from automated instruments."

d. *Responsible Science: Ensuring the Integrity of the Research Process*, v.1, National Academy Press, pp. 36-66, 1993: "Research data include detailed experimental protocols, primary data from laboratory instruments, and the procedures applied to reduce and analyze primary data."

"The term 'research data' applies to many different forms of scientific information, including raw numbers and field notes, machine tapes and notebooks, edited and categorized observations, interpretations and analyzes, derived reagents and vectors, and tables, charts, slides and photographs."

4. Examples of what may be considered "data:"

-- primary data entered into the traditional laboratory notebook
-- written material
-- medical and hospital records of clinical trial patients
-- computer code/software
-- images, photographs, renderings, and graphics
-- slides, microscope grids
-- questionnaires and responses
-- consent forms
-- readings, measurements, computer printouts
-- sound and video recordings
-- plans, drawings, and formulae
-- methodologies
-- novel resources
-- novel specimens
-- unique substances
-- physical materials, including samples
    (tissue, water, core, and just about anything else), cell lines, chemical compounds, life forms, and historic and archival materials
-- original matrices (e.g., polyacrylamide gels)
-- prototypes and models
-- reagents

-- biological compounds
-- biological specimens
    (biological organisms, tissues or cells of human, animal or plant origin, or images of the same)
-- information recorded about biological specimens
    (information extracted from medical records or interviews with study subjects; other survey data; information derived from research which is entered into computer storage; programs, unless already copyrighted, designed to retrieve such information; computer printouts of data; and printouts from other laboratory machinery, such as oscilloscopes or spectroscopes.)
-- unpublished material based upon information describing biological specimens
    (laboratory notebooks, records or minutes of research meetings; grant applications; research protocols; preliminary reviews and tabulations of the literature; and any and all manuscript drafts, including the final unpublished drafts of published papers.)

D. Ownership

Regardless of the legal right to claim ownership of research data, most universities have remained remarkably silent on the subject (with the exception of statements about ownership of intellectual property in general).

1. Different aspects of ownership:

-- physical possession
-- right to use
-- right to control and limit use
-- right to transfer, assign, or sell rights
-- right to make or manufacture
-- right to destroy
-- right to make derivative works
-- right to revenue generated by data
-- responsibility for damage or harm caused by data

2. Legal approaches:

a. Copyright law
The "work for hire" doctrine is general enough to establish that an institution, not its employees, owns the rights to its employees' written products or other forms of expression, including research data, which is created within the scope of employment and with institutional support.

b. Contract law

-- funding agency requirements
-- private organization requirements
-- employment contracts

c. Agency law

University, as employer, is vicariously liable for the wrongful conduct of its employees, including allegations of malpractice, scientific misconduct, and research fraud, and therefore must maintain ownership and control over data produced by employees. Also, the university is ultimately responsible for the proper expenditure of university funds. The university is legally responsible for anything done on and off its premises by its employees in the course of their employment.

If the employee disputes university's ownership of data, then the employee is ultimately liable for, and cannot call upon university for assistance with, indemnification, insurance, and legal defense.

d. Property law

e. Patent law

Although data may not be specifically covered by patent law, the underlying data to a patent application is certainly to be protected.

f. Employment law

-- employment contracts
-- university policies
-- principles of agency law

3. Traditional academic approach:

Most faculty/academicians believe that since the ideas leading to the research originate with the faculty, the resulting data is therefore proprietary to the "creator" of the data. Universities do not claim the ownership rights to the literary and scholarly works authored and published by faculty. However, there is no established tradition of abandoning ownership rights to data generated in the course of scientific and scholarly activity. (Some researchers have argued that "the data historically belonged to the investigator," and that "any change would constitute an unwarranted and unnecessary intrusion into the laboratory." (see: "Morgan, Dianna, "Battle Heats Up Over Who Owns Research Data," *The Scientist*, pp. 7, 32, May 28, 1990.)

4. Government requirements
   Federal policy and regulations require that, as the official recipient of federal funds, the university owns research data resulting from federal grants and contracts, generally without prescribing how the institution deals internally with the ownership issue.

   a. Office of Research Integrity, Public Health Service: "Research data generated under Public Health Service funding generally is owned by the grantee institution."

   b. PHS: (from Workshop on Data Management and Biomedical Research, 1990): "When PHS awards a research grant, the data developed by the grantee institution are owned by the grantee institution unless there is a specific condition to the contrary inserted in the grant award statement. The legal principle is a matter of PHS practice and policy; there are no regulations which explicitly prescribe it."

      -- Confirmed by Department of Health and Human Resources, General Counsel (from Workshop on Data Management and Biomedical Research, 1990)
      -- Confirmed by NIH Office of Scientific Integrity, legal advisor.

   c. PHS: September 1994: "Research data generated under PHS funding generally is owned by the grantee institution, not the principal investigator or the researcher producing the data." (see Stevens, Ann R., "Ownership and Retention of Data," *NACUA Pamphlet*, February 1997, pg. 16)

5. Private sponsor requirements (purely contractual terms and conditions)

E. Custody and Control

1. Candidates:

   -- investigator
   -- lab
   -- department
   -- institution

2. General consensus: No matter who owns the data, the principal investigator or scientific director should be the gatekeeper of all original data produced in his or her laboratory. Faculty contend that they are responsible for

providing the data for replication and validation of their published results by peers, so who better to be the custodian than the person who originally obtained the data.

F. Access

1. Government inquiry: law and regulation allow government to access any data generated in the course of government-sponsored research

2. Disputes between faculty members

3. Internal investigations into allegations of scientific misconduct: The employment relationship gives a university the right to examine any data, regardless of funding source. Particularly with allegations of scientific misconduct, the university must be able to take possession immediately of relevant research materials and to secure those materials in order to avoid any suspicion that they have been tampered with.

4. External private requests under state "sunshine laws:" Courts have generally applied a balancing test:

   Are the materials sought likely to be of little or significant probative value?

   Has the party seeking the information made a convincing showing of need for the data?

   Is there a risk of harm to the researcher's interests flowing from premature disclosure?

   Can the information be obtained from other sources?

   Will the researcher be subjected to an insupportable burden?

   What is the impact on continued research if researcher cannot assure confidentiality for the subjects of the research?

   Will premature disclosure of unanalyzed data suggest inaccurate conclusions and discredit the entire study?

G. Transfer

Most universities have no objection to researchers taking data when they leave the university for another institution. The question is whether they may take the original data, or copies only. Most universities will retain ownership and custody of the original data, and allow copies to be made and transferred with the researcher; always allowing the researcher to have future access to the original data if needed.

H. Policy considerations

1. Purpose of policy

2. Applicability of policy

   -- to whom does policy apply
   -- research to which the policy applies

3. University's expectation for accurate and reliable data collection and documentation

4. Definitions

   -- research data
   -- ownership, control, and access to data

5. Assertion by university of its rights to ownership of original primary research data developed by its faculty and employees, regardless of the technology used to create, preserve, or record it

6. Standards for collecting and storing data, including standards for maintaining perishable data, such as biologicals

7. Data retention:

   -- what
   -- who
   -- where
   -- how long

8. Data destruction

   The decision to destroy research data should be reviewed and approved by a separate institutional authority. A permanent record should be kept in a centralized place reflecting the inventory of destroyed data, including date of destruction, approving authority, the stated reason for destruction, and the manner of destruction.

9. Transfer of data with departing researcher

When investigators depart for other institutions, they should normally be permitted to take copies of the research data, not originals, with a continuing right of access to the underlying data.

10. Sanctions for non-compliance

I. Resources

1. "Access to and Retention of Research Data: Policy Considerations," Council on Governmental Relations pamphlet, August 1995

2. "Data Control and Management," *Research Integrity*, Michigan State University, v.I, no.2, Fall 1996

3. Fishbein, Estelle A., "Ownership of Research Data," *Academic Medicine*, v.66, no.3, March 1991

4. Mann, Charles C., "Who Will Own Your Next Good Idea," *The Atlantic Monthly*, September 1998

5. Stevens, Ann R., "Ownership and Retention of Data," *NACUA Pamphlet*, February 1997

6. Stevens, Ann R., "Ownership and Retention of Data," *AUTM Practice Manual*, v. II-1, pg.1, February 1995

Human Subjects Research: New and Revisited Issues

Lisa Vincler
Assistant Attorney General
University of Washington

1999 NACUA Annual Conference

Contents:

I. UW Perspective on Relationship between State Mandatory Reporting Laws and Federal Certificates of Confidentiality
II. Certificates of Confidentiality-Informational Handout-Federal Government
III. UW Policy Regarding Confidentiality of Research Records
IV. UW's Analytical Approach to Requests for Research Data
V. Sample Protective Order re: Court Ordered Release of Research Data

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I. Relationship between State Mandatory Reporting Laws and Federal Certificates of Confidentiality

A federal Certificate of Confidentiality does not override any state's legal reporting requirements. In Washington, these reporting requirements include suspected abuse or neglect of children (persons less than 18 years of age) dependent adults, developmentally disabled adults, and vulnerable adults (persons 60 years of age or older).

In addition to abuse and neglect reporting, Washington imposes on health care treatment providers, including public and private agencies, a common law "duty to warn," more commonly known as the "Tarasoff Rule."[1] The duty to warn arises when the treatment provider determines, or pursuant to the standards of the profession, should determine, that a patient presents a serious danger of harm to others.

This duty to warn is also explicit in Washington's statutory law about mental illness. While these statutes are not directly applicable here, they do provide guidance about the common law rule. One statutory provision states that there is a "duty to warn or to take reasonable precautions to provide protection from violent behavior where the patient has communicated an actual threat of physical violence against a reasonably identifiable victim or victims."[2] The other statutory provision[3] states that "The duty to warn or to take reasonable precautions to provide protection from violent behavior is discharged if reasonable efforts are made to communicate the threat to the victim or victims and to law enforcement."

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[1] See Petersen v. State, 100 Wn.2d 421, 427-28, 671 P.2d 230 (1983)(adopting rule expressed in Tarasoff v. Regents of Univ. of Cal., 17 Cal.3d 425, 551 P.2d 334, 131 Cal. Rptr. 14 (1976)).

Although the case law and statutes about duty to warn refer to a "patient" and envision a treating provider-patient relationship, this duty could also apply to professionals involved in a research project. Generally, third parties have no duty to prevent injuries to others and they are not held liable for failing to control the actions of another which harm another person. The *Restatement (Second) of Torts* provides:

> There is no duty so to control the conduct of a third person as to prevent him from causing physical harm to another unless
>
> (a) a special relation exists between the actor and the third person which imposes a duty upon the actor to control the third person's conduct, or
>
> (b) a special relation exists between the actor and the other which gives to the other a right of protection.[4]

However, researchers may be found to have the required "special relation" with their subjects such that liability can be imposed. Thus, a researcher *could* potentially be held liable for failing to warn if a foreseeable injury occurs. Therefore, researchers should be advised that applicability of the duty to warn should be presumed for their research activities.

Attached is a written statement dated March 25, 1994 from Patricia A. Kvochak, Deputy NIH Legal Advisor, about the scope of federal confidentiality certificates and child abuse and "duty to warn" reporting. In relevant part, it says:

> The Confidentiality Certificate does not govern the voluntary disclosure of identifying characteristics of research subjects but only protects subjects from compelled disclosure of identifying characteristics. See 42 CFR 2a.4(j)(4) and 2a.7(c). Researchers, therefore, are not prevented from the voluntary disclosure of child abuse or a subject's threatened violence to self or others. However, if a researcher intends to make such voluntary disclosures, the consent form should clearly indicate this.

The federal government's characterization of state mandatory reporting obligations as "voluntary disclosures" (in Kvochak's memo) appears to distinguish these releases of information from the circumstances which the certificate is designed to address, i.e., when a third party is attempting to compel a researcher to disclose identifying information about a study subject.

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[2] RCW 71.05.120(2).

[3] RCW 71.05.390(10).

012

[4] Restatement (Second) of Torts § 315 (1965).

In conclusion, since the federal Certificate of Confidentiality does not negate mandatory reporting obligations under Washington law, the certificate would not be controlling on reporting issues. Since under state law a researcher must make required disclosures, then the study subject should be notified of these potential disclosures as part of the informed consent process. Failure to report as required under Washington law may subject the UW to liability and may also expose the researcher to disciplinary action on his/her professional license.

II. Informational Handout - Federal Government

Privacy Protection for Research Subjects
"Certificates of Confidentiality"

1. **Statutory Basis for Protection.** Protection against compelled disclosure of identifying information about subjects of biomedical, behavioral, clinical, and other research is provided by the Public Health Service Act §301 (d), 42 U.S.C. §241(d):

> The Secretary may authorize persons engaged in biomedical, behavioral, clinical, or other research (including research on mental health, including research on the use and effect of alcohol and other psychoaxtive drugs) to protect the privacy of individuals who are the subject of such research by withholding from all persons not connected with the conduct of such research the names or other identifying characteristics of such individuals. Persons so authorized to protect the privacy of such individuals may not be compelled in any Federal, State or local civil, criminal, administrative, legislative, or other proceedings to identify such individuals.

2. **History.** Product of drug wars of 1970s; need to collect information on extent of illegal drug use, motivation, etc.; legal hazards to individuals of collecting such data. Solution was legal protection against disclosure of subject information in research on "use and effect of drugs," to be granted by Secretary of Health, Education and Welfare. (Comprehensive Drug Abuse Prevention and Control Act of 1970, Pub. L. No. 91-513, §3(a)).

   The 1974 Amendment expanded the protection to cover "mental health, including research on the use and effect of alcohol and other psychoactive drugs." (Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Amendments of 1974, Pub. L. No. 93-282, §122(b)).

   The 1998 Amendment expanded the protection to health research generally (current text). (Health Omnibus Programs Extension of 1988, Pub. L. No. 100-607,§163).

3. **Court Consideration.** Upheld by New York Court of Appeals (highest court in State) against challenge based on argument that laws was implicitly repealed by later drug abuse patient confidentiality statute. U.S. Supreme Court declined to hear case. (*People v. Newman*, 32 N.Y.2d 379, 298 N.E.2d 651, 345 N.Y.S.2d 502 (1973), *cert denied*, 414 U.S. 1163 (1973)).

4. **Current Administration.** Protection given in form of certificate of confidentiality issued upon application for a particular project. Federal funding is not a prerequisite.

   Protection can be granted only to research (i.e., a systematic investigation designed to develop or contribute to generalizable knowledge). The protection will be granted only when the research is of a sensitive nature where the protection is judged neessary to achieve the research objectives. Research can be considered sensitive if it involves the collection of information in any of the following categories:

   (a) Information relating to sexual attitudes, preferences, or practices;
   (b) Information relating to the use of alcohol, drugs, or other addictive products;
   (c) Information pertaining to illegal conduct;
   (d) Information that if released could reasonably be damaging to an individual's financial standing, employability, or reputation within the community;
   (e) Information that would normally be recorded in a patient's medical record, and the disclosure of which could reasonably lead to social stimatization or discrimination;
   (f) Information pertaining to an individual's psychological well being or mental health;
   (g) Genetic Information.

5. **Voluntary Disclosure.** The Confidentiality Certificate does not govern the voluntary disclosure of identifying characteristics of research subjects but only protects subjects from compelled disclosure of identifying characteristics. Researchers, therefore, are not prevented from the voluntary disclosure of matters such as child abuse or a subject's threatened violence to self or to others. However, if a researcher intends to make such voluntary disclosures, the consent form should clearly indicate this.

6. **Exceptions.** There are also limited exceptions to confidentiality (audit, FDA, subject request) and there are special policies to avoid communicable disease reporting; will be issued for such purpose only if specially justified (Memorandum, "Certificates of Confidentiality - Disease Reporting," Assistant Secretary for Health James O. Mason, Aug. 9, 1991 found in OPRR Institutional Review Board Guidebook at A5-45 (1993)).

7. **Regulations and Policies.** For certificates for drug abuse, alcohol abuse, and mental health research, regulation at 42 CFR part 2a, applies. For other research, certificates are subject to administrative guidance. Certificate issuance formerly administered by Assistant Secretary for Health of U.S. Department of Health and Human Services, now devolved to agencies. Administrative arrangements now being designed.

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Contacts for Information on Certificates of Confidentiality (Agencies Issue Certificates)

Primary Contact

Ms. Olga Boikess
Office of Resource Management
National Institute of Mental Health
6001 Executive Boulevard, MSC 9653
Room 8102
Bethesda, Maryland 20892-9653
Telephone: (301) 443-3877
Fax: (301) 443-2578

Alcohol Abuse and Alcoholism Research

Ms. Susan Farrell
National Institute on Alcohol Abuse and Alcoholism
Willco Building, Suite 402
6000 Executive Boulevard, MSC 7003
Bethesda, MD 20892-7003
Telephone: (301) 443-1274
E-Mail: sfarrell@willco.niaaa.nih.gov

Drug Abuse Research

Ms. Jacqueline R. Porter
National Institute on Drub Abuse
6001 Executive Boulevard, MSC 9547
Room 3158
Bethesda, MD 20892-9547
Telephone: (301) 443-2755
E-Mail: jporter@nida.nih.gov

Centers for Disease Control and Prevention (CDC), and Agency for Toxic Substances and Disease Registry (ATDR)

Ms. Betsey Dunaway
MASO, M/S E-11
Centers for Disease Control
1600 Clifton Road, NE
Atlanta, GA 30333
Telephone: (404) 639-2942
Fax: (404) 639-0445
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Public Health Division
Room 23-80 NIH Bldg.
9000 Rockville Pike
Bethesda, Maryland 20801
(301) 496-1105
Fax (302) 402-1094

March 25, 1994

Linda Spengel
University of Missouri

Re: Confidentiality Certificates and Child Abuse Reporting

Dear Ms. Spengel:

I have reviewed the advice provided by the Office of General Counsel with regard to the subject matter. As you know. Section 301 (d) of the Public Health Service Act and its implementing regulations at 42 CFR Part 2a authorize the Secretary of the Department of Health and Human Services (DHHS) to protect the privacy of research subjects by withholding their names or other identifying characteristics. Individuals so authorized may not be compelled in any Federal, State or local civil, criminal, administrative, legislative, or other proceedings to identify research subjects.

[The Confidentiality Certificate does not govern the voluntary disclosure of identifying characteristics of research subjects buy only protects subjects from compelled disclosure of identifying characteristics. See 42 CFR §§ 2a.4 (j) (4) and 2a.7 (c). Researchers, therefore, are not prevented from the voluntary disclosure of child abuse or a subject's threatened violence to self or others. However, if researcher intends to make such voluntary disclosures, the consent form should clearly indicate this.] Researchers are required to provide assurance to DHHS that they will use Confidentiality Certificates to protect subjects identities from compelled disclosure. See 42 CFR §2a.4 (I). This section applies to proceedings to compel disclosure and does not prevent voluntary disclosure. However, this exception should not be routinely used to disregard the Confidentiality Certificate.

I hope this information is helpful.

Sincerely,

Patricia A. Kvochak
Deputy NIH Legal Advisor

III. UW Policy Regarding Confidentiality of Research Records

The following is a summary of UW policy and guidelines regarding confidentiality of research records.

The University of Washington's policy is to protect the confidentiality of data resulting from research involving human subjects. The University's Handbook, VOL. IV, Part II, Chapter 2, "Use of Human Subjects," states:

> "In order to protect the rights, well-being, and personal privacy of individuals, to assure a favorable climate for the conduct of scientific inquiry, and to protect the interests of the University of Washington, the policy and procedures described below have been established for the conduct of research involving human subjects. The confidentiality of information received from subjects in experiments or respondents to questionnaires shall be fully protected, both during and after the conduct of a research activity, within the limits of the law."

The University's Human Subjects Manual includes information on the basic elements of informed consent that should be included in the consent process to fulfill both University and Federal requirements. With respect to confidentiality, the Manual (Part B.4.d.viii) states that the consent document must include:

> "An assurance that the subject's confidentiality will be respected. In cases where the data being gathered are especially sensitive the method of insuring confidentiality (e.g. coded records) should be explained. The subject should be told who will have access to the data and assured that public reports will not contain information that identifies individual subjects."

The Human Subjects Manual (Part D.4.a.i. and ii) also advises researchers on measures to protect confidentiality.

Any unintentional but identifying data or information on data collection forms, questionnaires, and other records usually should be removed, stricken, or otherwise made undecipherable as soon as noted by the investigator.

In those instances where it is necessary to identify respondents, identification on data collection forms, questionnaires, and other records should be by code, with the code translation to be kept separate from the data. The code should not be an identifiable number such as a hospital's patient number, a student identification number, or a Social Security number; rather, a code should be established solely for the purpose of the study. Both the code translation and the data should be kept in a secure place, such as a locked file cabinet, accessible only to the investigator, to his or her authorized staff, and to others identified in the Human Subjects Review Committee application.

Where information will be computerized, no names or other identifying information should be entered. The study code number should be the only computerized identifier. The code translation should not be entered into the computer.

Exceptions to this policy may be made when it is necessary for the conduct of the study to collect and link data on the same individual from more than one source. In such instances the procedures for maintaining confidentiality of both the paper and computerized records should be clearly described and justified in section VII of Form UW 13-11.

With regard to minor subjects, the Manual (Part D.4.a.) states:

> Research involving persons below the legal age of consent is important for the health and well-being of all children, and may be conducted by faculty, staff, and students of the UW provided the Human Subjects Review Committee (and where applicable, those of its affiliated institutions where such research will be performed), has determined that: a. studies, where appropriate, have been conducted first on animals, adult humans, then on older children, before involving infants; b. risks are minimized by using the safest procedures consistent with sound research design; c. adequate provisions are made to protect the privacy of subjects and their families, and to maintain confidentiality of data.

There are at least two reasons why confidentiality of research data is so important. The first is to protect subjects. Data collected may include personal and sensitive information about subject's own behavior and about the behavior of friends, family, and others. If this information was made public, the subjects, their friends, and family members might be placed in jeopardy of civil or criminal prosecution. To enable volunteers to be open and honest, researchers have to be able to assure some level of confidentiality.

Second, the notion that research data are confidential protects the ability of researchers to conduct research, which is beneficial to society. The community relies on the offer of confidentiality as a safeguard. If it becomes the practice of researchers to release confidential data, the community's faith in the research endeavor may be undermined.

IV. University of Washington's Analytical Approach to Requests for Research Data

It is UW policy that research test results done as part of a study are generally not provided to study participants. Standard language in study consent forms approved by UW states that the research data is confidential and limits its access to the researchers and others specifically tied to the research study.

The potential release of research data raises both legal and policy issues for the University of Washington. Accordingly, the decision of whether or not to release research data should be carefully considered.

From a legal perspective, the University of Washington is free to decide to release research data involving only a particular subject provided that the subject has given consent and the University of Washington has no other confidentiality obligations to other persons/entities. The relevant statute, RCW Chapter 42.48, allows release of an individually identifiable research record with appropriate consent from the subject, or his/her legally authorized representative. There may, however, be other risk management issues to consider in deciding whether to release research data.

In considering this request you should review the below listed items re: this research study:

1. Description of protocol(s) in which the subject was enrolled.
2. All consent forms signed by the subject (or subject's surrogate), researchers, and any outside research collaborators.
3. Description of this particular subject's case including anything unusual about the subject's participation.
4. Identify if any of the information collected in the study was relayed to the subject's treating physician for use in his/her medical care.

Overview of UW's interest and obligations:

1. What confidentiality assurances for this research were made to the subject and others?
2. What, if any, potential harm would occur to the research study if this subject's data was released under a protective order (use limited to lawsuit, access limited to parties in lawsuit, records sealed and maintained as confidential without public access) from the court?
3. Would this potential release of research information likely result in future attempts to get further research information from this study?
4. Is the study ongoing?
5. Is this particular subject still participating in the research?
6. Are there any ethical concerns about the potential release of the research information?
7. Are there any concerns about the reliability of the data supplied re: this subject because of the litigation context?
8. Would release of data for litigation purposes, create such a concern?

IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON

IN AND FOR THE COUNTY OF PIERCE

NANCY E. HAFER AND MARTY J. HAFER, individually and as wife and husband and NANCY E. HAFER as Guardian Ad Litem for ANDREW HAFER, MICHAEL HAFER and MEGAN HAFER, minors,

Plaintiffs,

vs.

MULTI-CARE MEDICAL CENTER, a Washington corporation, d/b/a MARY BRIDGE CHILDREN'S HOSPITAL & HEALTH CENTER; ROGER FICK, M.S. and JANE DOE FICK, individually and as husband and wife; ROBERTA PAGON, M.D. and JOHN DOE PAGON, individually and as wife and husband; ROBERT G. SCHERZ, M.D. and JANE DOE SCHERZ, individually and as husband and wife; CARL PLONSKY, M.D., and JANE DOE PLONSKY, individually and as husband and wife; JAMES FOSS, M.D. and JANE DOE FOSS, individually and as husband and wife; JOHN DOE INDIVIDUALS, MARITAL COMMUNITIES, CORPORATIONS AND PARTNERSHIPS I-XXV,

Defendants.

No. 92-2-12279-6

PROTECTIVE ORDER DIRECTING RELEASE OF LIMITED INFORMATION SUBJECT TO CONDITIONS

FILED
IN OFFICE
APR 12 1996 PM
PIERCE COUNTY, WASHINGTON
TED RUTT, COUNTY CLERK
BY____________ DEPUTY

This matter coming on for hearing on March 1, 1996 on Plaintiffs' Motion to Compel Production of University of Washington Cytogenetics Laboratory records and the University of Washington's Motion for Protective Order; the University of Washington appeared through its counsel Christine O. Gregoire, Attorney General and Lisa Vincler Assistant Attorney General, the parties on the above-captioned matter having received proper notice of these motions; for Plaintiffs appeared Dan'L Bridges, for Defendants Multicare, Scherz, Pagonm and Fick appeared Jack Rosenow. The court having heard argument, considered the records and files herein and being fully advised; now therefore

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IT IS HEREBY ORDERED THAT the court declined to grant both Plaintiffs' Motion to Compel and the University of Washington's Motion for Protective Order at the March 1, 1996 court hearing. Counsel for Plaintiffs and for the University of Washington were directed by the Court to work toward a mutual resolution of these issues using the Court's initial comments as guidance, including the court's statements that the records sought were subject to civil process if patient identifiers and certain portions of information in areas of heightened confidentiality were removed.

The remaining portion of this Order is based on the subsequent agreement of the Plaintiffs and the University of Washington to allow a limited release of information subject to protective conditions. On this basis, the Court finds and it is hereby

ORDERED, ADJUDGED AND DECREED that the University of Washington Cytogenetics Laboratory shall produce partial copies of all patient medical records in its possession pertaining to patients tested for Fragile X syndrome from the date when the University of Washington first offered this test on a clinical basis through such tests requested as of January 31, 1992. The University shall produce copies of these records omitting from them only the following types of information:

1. All references to the patient's or their family members' names, addresses, marital status, occupations or employment, social security numbers, phone numbers, and all birthdate information with the exception of the patient's chronological age.
2. UW patient medical record numbers.
3. Names of referring and treating physicians and other health care providers.
4. Any educational testing information, including formal IQ testing and reports and information from schools.
5. All information in any areas of heightened confidentiality:
    a) Drug and Alcohol Abuse Treatment;
    b) Mental Illness and Treatment; and
    c) Sexually Transmitted Diseases/AIDS/HIV.

6. Family history which is so specific as to be potentially patient identifiable in nature.

7. Social history which is so specific as to be potentially patient identifiable in nature

8. Physical description or other clinical observations which are so specific as to be potentially patient identifiable in nature.

ORDERED, ADJUDGED AND DECREED that the University of Washington shall include a cover sheet with each partial patient medical record released to indicate the types of information deleted from that specific patient record, and if the University of Washington exercises its discretion regarding the potential patient identifiable nature of any omitted information involving, family history, social history, physical description or other clinical observations, a brief non-identifying description of the omitted information shall be provided on the cover sheet. A copy of the cover sheet is attached as Appendix A to this Order.

ORDERED, ADJUDGED AND DECREED that the University of Washington will release the portion of the patient record with the chronological age of the patient at the time of Fragile X testing. If the record does not include the chronological age of the patient at the time of Fragile X testing, the University agrees to supply that information on the cover sheet accompanying that record.

ORDERED, ADJUDGED AND DECREED that the University of Washington records produced shall be protected as follows:

1. Any information released and obtained as provided by this Order shall be marked confidential and shall be used solely for the preparation and trial of this lawsuit and for no other purpose or litigation.

2. This confidential information may be supplied to expert medical witnesses retained by the parties to this action for the purpose of analyzing this type of information, but only after said expert has signed a Confidentiality Agreement prohibiting their use of and their communication of this confidential information to anyone outside the context of this litigation.

3. The confidential information produced in accordance with this Order may be disclosed in testimony at the trial of this action or offered in evidence at the trial of this action, subject to the rules of evidence and subject to such further order as this Court may enter to protect the confidentiality and privacy interests of any affected person(s).

4. The parties to this lawsuit and any individual(s) employed or otherwise retained or used by said parties shall not make any attempt to learn the identity of any patients, and shall not attempt to contact any patients, whose records are partially produced pursuant to this Order.

ORDERED, ADJUDGED AND DECREED that this Order is binding on all parties to this lawsuit and the University of Washington.

ORDERED, ADJUDGED AND DECREED that the University of Washington shall designate one person as its speaking agent responsible for the production of the material produced pursuant to this Order. This designated person shall be competent to testify as to the manner in which the records were reviewed, any information removed, the authenticity of the records produced, and the identity of all individuals who participated in the University's compliance with this order.

ORDERED ADJUDGED AND DECREED that Plaintiffs shall compensate the University of Washington for all reasonable expenses incurred by the University in complying with this Order, including forty cents per page for each individual copy produced and the hourly rates of $16.20 and $6.25 for the time spent by the two categories of personnel who will be assigned to preparing the records for release.

ORDERED, ADJUDGED AND DECREED that the University of Washington shall immediately commence review and preparation of the above-identified records for release pursuant to this Order.

ORDERED, ADJUDGED AND DECREED that the Court recognizes that the Plaintiffs, through their attorneys, and the University of Washington, through its attorneys, have agreed that Plaintiffs' by consenting to the entry of this order do not waive their right to seek an amendment of this Order for production and/or in camera review of the information described on page two in subparagraph 4 and subparagraph 5b above and production and/or in camera review of the material and information redacted by the University pursuant to and described on page three in subparagraphs 6, 7 and 8.

DONE IN OPEN COURT this 12th day of April, 1996.

Honorable Thomas J. Felnagle

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Document Set Number ☐

This information is produced from the University of Washington Cytogenetics Lab pursuant to a Protective Order entered in Pierce County Superior Court on the matter of Hafer v. MultiCare, Cause No. 92-2-12279-6.

Removed from this patient medical record is the following:

- All references to the patient's or their family members' names, addresses, marital status, occupations or employment, social security numbers, phone numbers, and all birthdate information with the exception of the patient's chronological age.
- UW patient medical record numbers.
- Names of referring and treating physicians and other health care providers.
- Any educational testing information, including formal IQ testing and reports and information from schools.
- All information in any areas of heightened confidentiality:
  - Drug and Alcohol Abuse Treatment;
  - Mental Illness and Treatment; and
  - Sexually Transmitted Diseases/AIDS/HIV.

Also removed from this patient medical record (as indicated by any checked boxes below) is the following.

☐ Family history which is so specific as to be potentially patient identifiable in nature. Non-identifying description of omitted information: ____________

____

☐ Social history which is so specific as to be potentially patient identifiable in nature. Non-identifying description of omitted information:

____

☐ Physical description or other clinical observations which are so specific as to be potentially patient identifiable in nature. Non-identifying description of omitted information:

____

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APPENDIX A

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RESEARCH DATA

Christine Hughes
University of Washington, Office of the Attorney General
Seattle, Washington
November 13, 1998

Who Owns It?

Define what you mean by "it." "Research data" can encompass a wide variety of things, including:

- Written material
- Computer code/software
- Images, photographs, renderings, and graphics
- Questionnaires and responses
- Consent forms
- Readings, measurements, computer printouts
- Physical materials, including samples (tissue, water, core, and just about anything else), cell lines, chemical compounds, life forms, and historic and archival materials
- Sound recordings
- Prototypes and models
- Plans, drawings, and formulae

Define what you mean by "own." Disputes can focus on different aspects of ownership:

- Physical possession?
- The right to use?
- The right to control and limit use?
- The right to transfer, assign, or sell rights?
- The right to make or manufacture?
- The right to destroy?
- The right to make derivative works?
- The right to revenue?
- The responsibility for damage or harm caused by it?

What rules govern?

- Physical possession is usually covered by state property and contract law. The status of university policies as binding "contracts" is also a matter of state law. Copyright law governs the right of an author to control the reproduction of his or her intellectual creation.

- Copyright exists upon the creation of original works of authorship fixed in any tangible medium of expression. 17 U.S.C. §102 (a).
- The author is the original owner of the copyright, unless the creation is a "work-for-hire." 17 U.S.C. § 201 (a) and (b).
- A work for hire is a work prepared by an employee within the scope of his or her employment or a work that fits into one of nine statutory categories of specially ordered or commissioned work. 17 U.S.C. §101.
- The status of the author as an "employee" or an "independent contractor is determined by common law agency principles, rather than the law of any particular state. *Community for Creative Nonviolence v. Reid*, 490 U.S. 730, 109 S.Ct. 2166 (1989)
- The factors to consider in determining whether an author is an independent contractor are skill required, source of instrumentalities and tools, location of work, duration of relationship between parties, hiring party's right to assign additional projects to hired party, extent of hired party's discretion over and how long to work, method of payment, hired party's role in hiring and paying assistants, regular business of hiring party, provision of employee benefits, and tax treatment of hired party.
- One circuit court has found an exception from the work for hire doctrine for academic writings. *See Weinstein v. University of Illinois*, 811 F.2d 1091 (7th Cir. 1987) (Holding that "academic tradition since copyright law began" excepted academic and scholarly writings from the work for hire doctrine in the absence of clear university policy and practice to the contrary.) *See also Hays v. Sony Corp. of America*, 847 F2d 412 (7th Cir. 1988).

Patent law governs the right to exclude others from making, selling, offering for sale, or using an invention for a specific period. Patent protection is only available to novel, useful, and nonobvious inventions. It is not automatic, but must be applied for and received.

- An inventor owns patent rights in his or her invention unless the employee has been "hired to invent" or has signed a contract with an employer assigning patent rights, either prior to any actual invention, or with respect to a particular invention.
- If an employee owns the patent rights, but has used the employer's resources to create the invention, the employer has "shop rights," which are a non-exclusive, royalty-free, nontransferable license to make, use, and sell the invention.

What to consider in resolving a question regarding ownership of research data.

- What is the "research data" comprised of?
- What ownership rights are in question?
- Who created or produced the research data?

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- What is that person's (or persons') relationship to the university (*e.g.*, student functioning as student, student functioning as employee, faculty, other university employee, clinical faculty member actually employed by someone other than the university, visiting or shared scholar)?
- Are there documents governing this relationship (*e.g.*, employment contracts, appointment letters, university policies, handbook provisions, assignment contracts, affiliation agreements)?
- Who funded the creation of the data, and with what understandings (*e.g.*, federal or private grant or contract, sponsored research agreement, contract, or joint venture with a third party)?
- Have there been any transfer of rights (*e.g.*, assignment of copyright to a journal or other publisher, physical transfer of materials to another, grant of option to research sponsor, transfer of rights by author or inventor to a third party)?

Who Gets to See it?

- Public Records Laws

Is it a public record?

This is a matter of state law, and only affects public institutions. Where a state public record law is not clear, that state's courts will often look to interpretations of the federal Freedom of Information Act ("FOIA"). Thus, one recent case may be significant. In that case, a circuit court held that data tapes were "agency records" of the Department of Health and Human Services ("HHS") within the meaning of FOIA even when the documents were not created by HHS employees nor then located on HHS property. The court said the legal standard is whether the agency "created or maintained the records" and whether the agency was "in control of them" at the time the FOIA request is made. While the mere fact of federal funding was not enough to show agency creation, the court found the "creation" requirement satisfied by the "extensive supervision and control" exercised by the agency over the collection and analysis of the data. The court found the "control" element satisfied by: (a) the agency's intent to take physical possession of the records at the conclusion of the study; (b) the agency's exercise of control over the timing of the release of the materials; (c) the agency's reliance on the documents in developing agency policy; and (d) the documents' integration into the agency's record system or files. *See Burka v. U.S. Dept. of Health and Human Services*, 87 F.3rd 508 (D.C. Cir. 1996).

Is there an exception that covers the research data?

In a Georgia case, a tobacco company had issued a subpoena for research data relating to a study done by a Medical College of Georgia professor regarding children's recognition of the "Joe Camel" advertising character. An appeals court found that the broad subpoena was beyond the realm of reasonable discovery. *See R.J. Reynolds Tobacco Co. v. Fisher*, 427 SE2d 810 (Ga.App.Ct. 1993). The tobacco company then requested and obtained the same records pursuant to the Georgia public records law. In 1997, the Georgia legislature adopted a comprehensive exception to its public records statute for research data. *See* Georgia Code Section 50-18-72(a)(12). Many other states have similar exceptions. *See* Tammy L. Lewis and Lisa A. Vincler, *Storming the Ivory Tower: The Competing Interests of the Public's Right to Know and Protecting the Integrity of University Research,* 20 J.C.&U.L. 417, 455-460 (1994).

Does this particular item fall within that exception?

In a Washington state case, animal rights activists requested a university researcher's unfunded grant proposal to study brain development in asocially raised rhesus monkeys. The court acknowledged a specific state statute protecting research data, but declined to extend that exception to unfunded research grants. *Progressive Animal Welfare Society v. The University of Washington*, 125 Wn.2d 243, 88rP.2d 592 (1994).

Are there other laws that permit withholding for some or all of the data?

- HHS confidentiality certificates under 42 U.S.C. 241(d) §303(a).
- State laws protecting medical records. *See, e.g.*, Revised Code of Washington 70.02.
- State laws protecting individually identifiable research records obtained under a confidentiality assurance. *See, e.g.*, Revised Code of Washington 42.48.040.
- State constitutional, statutory, or common law protection of privacy.

(a) State trade secret laws.

Subpoenas

- The basic point is a central one in American litigation—the law has a right to every person's evidence whether the person is an 'expert' or not." 8 Wright & Miller, Fed. Prac. & Proc. Civ.2d §2033 (1993).
- A subpoena may be modified or quashed if it requires disclosure of privileged or other protected matter and no exception or waiver applies. F.R.Civ.Pro. 45(c)(3)(A)(iii). As the cases below note, there is no generally recognized "academic" or "scholar's" or "researcher's" privilege, although certain jurisdictions are more favorably inclined to consider such a privilege.
- Review the rule of civil procedure pursuant to which the subpoena was issued. In 1991 Rule 45(c)(3)(B) of the Federal Rules of Civil Procedure was amended to give a court the authority to quash or modify a subpoena if it requires disclosure of a trade secret or other confidential research, development, or commercial information, or requires disclosure of an unretained expert's opinion or information resulting from the expert's study (unless the opinion or information describes specific events or occurrences in dispute, or the study was made at the request of any party). The court can quash or modify the subpoena to protect a person subject to or affected by the subpoena. If the

party who is issuing the subpoena shows a substantial need for the testimony or material that cannot otherwise be met without undue hardship, and assures that the person to whom the subpoena is addressed will be reasonably compensated, the court may order appearance or production only upon specified conditions. Be aware, however, that the subpoena rule in your jurisdiction may differ from this one

Cases Suggesting a Scholar's or Researcher's Privilege

- *Richards of Rockford, Inc. v. Pacific Gas and Electric Co.*, 71 F.R.D. 388 (N.D.Cal. 1976). PG&E subpoenaed the notes a researcher had prepared in a study of environmental decision-making at the company. The researcher resisted, citing the effect that compelled disclosure of confidential interviews would stifle public policy research. While declining to enforce the subpoena on other grounds, the court cited the importance of maintaining confidential communication between academic researchers and their sources.
- *Dow Chemical Company v. Allen*, 672 F.2d 1262 (7th Cir. 1982). Dow issued a subpoena for research notes, reports, working papers, and raw data relating to ongoing animal toxicity studies. Dow planned to use the information at hearings on the possible cancellation of its license for production of an herbicide. The Circuit Court upheld a lower court quashing of the subpoena. In addition to finding that the research material lacked probative value and was not of great need to Dow, the court cited the special interests of academic researchers. It found that immediate public access to the requested material would deprive researchers of the opportunity to have their results published by prestigious peer-reviewed journals and the professional benefits accompanying this. The court also held that there was little to justify an intrusion into university life that would risk substantially chilling the exercise of academic freedom.
- *Deitchman v. E.R. Squibb & Sons, Inc.*, 740 F.2d 556 (7th Cir. 1984). The defendant, a manufacturer of the drug DES, subpoenaed from a researcher the records of a registry the researcher maintained of cases of vaginal and cervical cancer. The researcher and others had published studies based on the register. The researcher was not involved in DES litigation, but plaintiffs in several lawsuits relied on these studies to suggest a link between DES use and cancer. The circuit court vacated a lower court's order quashing the subpoena, and remanded the case for a protective order. The court found that the burden of discovery on the researcher was significant because the information sought—a registry of patients suffering from vaginal cancer—was a critical tool for epidemiological research. Since it was obtained from patients with a promise of strict confidentiality, disclosure might compromise its continued viability. The court also recognized the researcher's interest in publishing the research in his own time and way. However, the court found that the likelihood that plaintiffs would rely on the

researcher's studies, and the fact that the defendant would be hampered in cross-examination of plaintiffs' witnesses if it couldn't review the study protocol for flaws or biases, was a sufficient showing of necessity. The court sent the case back to the lower court for a protective order protecting patient identities or the researcher's as-yet unpublished conclusions (as opposed to factual information regarding study protocols, questionnaires, and statistical analyses).

- *In re Grand Jury Subpoena*, 750 F.2d 233 (2d Cir. 1984). A grand jury investigating a restaurant fire subpoenaed a journal kept as fieldwork by a graduate student who had worked at the restaurant. The court acknowledged that there might be a scholars' privilege, but said this case didn't make a "strong and detailed showing of the impacts of disclosure.
- *In re R.J. Reynolds Tobacco Co.*, 518 N.Y.S.2d 729 (Sup.Ct.1987). The court denied discovery of research data because of the excessive burden on researchers. The court also mentioned a researcher's publication interest as well as an interest in academic freedom.
- *Smith v. Dow Chemical Co.*, 173 F.R.D. 54 (W.D.N.Y. 1997). The plaintiff sought disclosure of several ongoing research studies into the health effects of vinyl chloride. The defendant requested a protective order, citing a "scholar's" or "researcher's" privilege. The court was not certain that there was such a privilege, and ruled that the defendant had in any event failed to provide the information for the court to evaluate the claim of privilege. The court said that the person asserting the privilege must submit a detailed description of the study, its methodology, the degree to which assurances of confidentiality were required for the sources of data used in the study, and the extent to which the disclosure will affect confidentiality. The court also noted that at least two of the researchers were expected to testify as experts for the defense.

Cases Limiting or Denying Discovery of Research Data on Other Grounds.

- *Buchanan v. American Motors Corp.*, 697 F.2d 151 (6th Cir. 1983). This was a second case involving researcher Snyder. (*See Wright v. Jeep, infra)* AMC again subpoenaed Snyder's research data. The court upheld an order to quash the subpoena on the grounds that it was burdensome in the amount of the researcher's time that it would require. The court explicitly avoided any decision about the existence of a privilege for academic researchers.
- *Farnsworth v. Procter & Gamble Co.*, 101 F.R.D. 355 (N.D. Ga. 1984), aff'd. 758 F.2d 1545 (11th Cir. 1985). Facing multiple lawsuits from plaintiffs who claimed that defendant's tampons caused toxic shock syndrome, defendant subpoenaed a Center for Disease Control Study. The Center produced most research documents, but declined to produce the names of study participants. The court granted a protective order to keep confidential the names of the patients participating in a study.

- *Harris v. Upjohn*, 115 F.R.D. 191 (S.D. Ill. 1987). (The court ordered production of reports regarding adverse drug reactions but allowed redaction of the names of patients and physicians from these reports, on grounds that patients will participate in research only if their identities remain confidential.)
- *Plough, Inc. v. National Academy of Sciences*, 530 A.2d 1152 (D.C. 1987). Plaintiff alleged that aspirin manufactured by defendant caused him to develop Reyes Syndrome. Defendants subpoenaed a National Academy of Sciences review of a Public Health Service study of the association between Reyes and aspirin. The court found an interest in protecting from discovery the analyses, opinions, and conclusions drawn from data, and an interest in protecting the confidentiality of reviewers. Although the court considered a protective order, it declined to issue one because the documents were of limited relevance and necessity.
- *In re Snyder*, 115 F.R.D. 211 (D.Ariz. 1987). Yet another case involving the hapless Mr. Snyder, now in retirement, and another subpoena from AMC. The court held that there was no researcher's privilege, but quashed a subpoena ordering Snyder to give deposition testimony and disclose underlying research data because he had already been required to respond to four prior subpoenas in related litigation seeking similar information.
- *Anker v. G.D. Searle & Co.*, 126 F.R.D. 515 (M.D.N.C. 1989). The plaintiffs in IUD-related litigation subpoenaed a researcher's study protocols, investigator's manuals, and other documents estimated to comprise over 300,000 pages. The court refused to recognize an academic privilege, but quashed the subpoena for the researcher's study protocols and notes on the grounds that the plaintiffs failed to demonstrate their need for, and the relevance of, the material.

Cases Permitting Discovery

- *Wright v. Jeep Corp.*, 547 F.Supp. 871 (E.D.Mich. 1982). This was the first of several cases involving a researcher named Snyder. He was co-author of a study of crash experience of utility vehicles. The study was particularly critical of an AMC vehicle, the Jeep. Jeep subpoenaed research data. The district court reversed a magistrate judge's order quashing the subpoena . The court rejected a "researcher's privilege" as unsupported in case law and contrary to the general rule of discovery.
- *Wilkinson v. FBI*, 111 F.R.D. 432 (C.D. Cal. 1986). The plaintiffs sued the FBI over its surveillance and investigation activities. The FBI subpoenaed documents archived, with limitations on access, with an historical society. The plaintiffs claimed an "archival" privilege, claiming that the violation of the access limitations would chill archival donations, with the effect of severely infringing upon the interests of archives and scholars in promoting the free flow of information and academic debate in society. The court declined to recognize the privilege and ordered production of the documents.

- *Deford v. Schmid Products Co.*, 120 F.R.D. 649 (D.Md. 1987). (In this case, the court permitted discovery of research data because researcher failed to demonstrate that disclosure of information would cause the case harm.)
- *In re American Tobacco Company*, 880 F.2d 1520 (2d Cir. 1989). Various tobacco companies subpoenaed research data from Mount Sinai School of Medicine and the American Cancer Society. The court declined to recognize a scholar's privilege, and ruled that even if there were such a privilege, it was less compelling when the data requested had already been the subject of published articles.
- *Burka v. United States Department of Health and Human Services*, 87 R.3d 509 (D.C. Cir. 1996) The plaintiff filed federal Freedom of Information Act ("FOIA") requests with the Department of Health and Human Services ("DHHS") seeking research materials (questionnaires and data tapes) relating to a study of teenager and adult smoking generated in a National Institutes of Health Study. FOIA permits an agency to withhold documents if they would not be available to the requestor in litigation. The court below had upheld DHHS's refusal to produce the material, holding that there was "ample authority" that confidential research material could be protected in discovery. This lower court found two interests justifying withholding of the data: 1) interference with the ongoing scientific research which could occur if the data was released prematurely; and (2) harm to the researchers' interest in having their research published in prestigious peer-reviewed journals. The Circuit Court reversed, declining to find that there was no established or well-settled practice of protecting research data in the realm of civil discovery on the grounds that the disclosure would harm a researcher's publication prospects. The court also said that DHHS had not adequately demonstrated how disclosure of the results would diminish the researchers' ability to publish their results in prestigious journals.

Appropriately Protecting Research and the Rights of the Faculty/University - Strategic Responses

- Document the Burden
- Amount of data requested (inches, volumes, pages, time to prepare)
- Resources available to researcher (staff, non-grant funds)
- Other commitments of researcher
- Sophistication required of staff responding to subpoena
- Specific impact on researcher (e.g., multiple subpoenas, chilling effect on future research subjects, impact on ongoing research, loss of first chance to analyze data, loss of intellectual property rights, delay in completion of thesis or progress toward tenure, potential for abuse).

Lack of Probative Value

- Data are incomplete, unreliable, untested Applying the standard of *Daubert v. Merrell Dow,* 509 U.S. 579 (1983): is the reasoning or methodology underlying the testimony scientifically valid? Does it apply to the facts in issue? Can the theory or technique be tested? Has it been subjected to peer review and publication: What is the known or potential rate of error? Has it achieved general acceptance in the scientific community?
- Data are self-impeaching; the research contains qualifications of its conclusions, such as possible sampling or statistical errors.
- Demonstrate that the data are available through other sources.
- Demonstrate that the data have an attenuated relationship to the issues at trial.
- Demonstrate that study participants were promised confidentiality.
- Produce what isn't confidential or burdensome.
- Demonstrate that the experts retained for trial will not rely on the research.
- Demonstrate that the subpoena is premature because the retained experts have not yet identified their sources.

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John F. Ritter
Director, Office of Patents and Licensing
Princeton University
NACUA Meeting
November 12th-13th, 1998

INVENTIONS AND THE STUDENT RESEARCHER

INTRODUCTION

Since the enactment of the Bayh-Dole Act in 1980, which allowed universities to own inventions made with federal funding, the number of university-derived inventions has risen dramatically.[1] Additionally, income from faculty generated inventions has increased from $7 million in 1981 to $591.7 million in 1996.[2]

As a result of this tremendous growth in university technology transfer, most universities have developed intellectual property policies which attempt to clearly delineate who owns what rights in any commercially valuable invention developed at the particular institution. Most, if not all, policies require the university to share a large percentage of licensing income it receives with the inventors, whether students or faculty.[3] Other than this one constant, however, such policies vary greatly from institution to institution and have been characterized by one commentator as falling into three general categories: 1) resource-provider; 2) maximalist; and 3) supra-maximalist.[4]

Resource-provider institutions base ownership of inventions upon the use of university resources to develop the inventions.[5] Some universities with resource-provider policies require the use of university resources to be significant or substantial in order to give rise to a claim of university ownership.[6] Maximalist institutions are ones that claim ownership of inventions that were developed using university resources or in the course of employment.[7] Institutions having a supra-maximalist policy claim ownership of all inventions, whether developed using university resources or done within the course of employment.[8]

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[1] 1996 Survey of the Association of University Technology Managers showed that in 1996, there were a total of 10,178 invention disclosures, 3261patent applications, and 2095 issued patents.

[2] *Id.*

[3] "Guide To Intellectual Property at Princeton" (1997). Princeton shares income derived, after reimbursing itself for out-of-pocket expenses (patenting costs) in the following manner: 50% of the first $100,00, 40% of the next $400,000, and 30% thereafter. Other policies are slightly more or less generous. *See e.g.* MIT Patent Policy, Rutgers Patent Policy.

[4] Pat K. Chew, "Faculty Generated Inventions: Who Owns the Golden Egg?" 1992 Wis. L. Rev. 259, 298-300 (1992).

[5] *Id.*

However, there is at least one additional class of insitutional intellectual property policies that, under Professor Chew's characterization scheme, may best be classified as "supra-minimalist". For example, the University of Wisconsin makes no claims to any inventions developed at the university.[9] Despite its' policy, Wisconsin's technology transfer office is one of the most successful operations in the country, having received over 200 invention disclosures in 1996 and consistently generating substantial licensing income.[10]

In recent years, there has been much interest in how students are affected by these policies.[11] Indeed, this commentator would estimate that in at least half, if not more of the inventions disclosed at universities last year, one or more students were named inventors on the disclosures and subsequent patent applications.[12] Such interest has been further heightened by a few celebrated cases, most notably the criminal prosecution of a University of South Florida graduate student for stealing intellectual property developed in a university lab.

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[6] "Guide to Intellectual Property at Princeton University," 1997. Princeton requires "a significant use of funds or facilities administered by Princeton." As a clarification, the Guide states, "Princeton University does not construe the provision of office, library, or machine shop facilities, or traditional desktop personal computers as constituting significant use of Princeton space or facilities, nor the payment of salary as constituting significant use of Princeton University funds, except in those situations where the funds were paid to support the development of certain materials. Textbooks developed in conjunction with class teaching are excluded from the "significant use" category, unless such textbooks were developed using Princeton University administered funds paid specifically to support textbook development." *Id.*

[7] Chew, *supra* at 276. Examples of universities having maximalist policies include Rutgers, Yale, and Columbia.

[8] *Id.* Examples include University of Pittsburgh and the University of California system. *Id.*

[9] University of Wisconsin-Madison Patent Policies and Procedures (1984).

[10] 1996 Survey of Association of University Technology Managers.

[11] *See e.g.* Sandip Patel, "Note, Graduate Students' Ownership And Attribution Rights in Intellectual Property," 71 Ind. L. J. 481 (1996).

[12] At Princeton University last year (FY 98), over three-quarters of invention disclosures received named one or more students as an inventor of the particular technology.

This presentation has two parts. The first looks at the basic legal framework for understanding the issues affecting the ownership of inventions developed, at least in part, by students. Secondly, an actual case will be discussed that illustrates some additional issues that university counsel may have to confront when dealing with student-inventors. The presentation will focus entirely on issues relating to patents and will leave a discussion of copyrights for another day.

LEGAL ASPECTS OF INTELLECTUAL PROPERTY OWNERSHIP

Employment Assignment Agreements

Most institutions take claim to inventions made by employees in a straightforward manner by either: 1) requiring incoming employees to sign an Invention Assignment Agreement as a condition of employment; or 2) requiring new employees to sign an agreement that binds her to the rules and policies as stated in the guide or faculty handbook, including the patent and/or intellectual property policy. Notwithstanding possible contract law defenses to such agreements, they remain the strongest means by which an employer can retain undisputed title to inventions made by employees.

However, there are other mechanisms utilized by universities to secure rights to intellectual property. First, some universities make the acceptance of grant funding contingent upon signing a statement that the researcher agrees to be bound by the patent policy of that particular university.[13] Moreover, some universities have argued that an employee is bound by the terms and conditions of the employee handbook; that there is an implied contract on the part of the employee to assign the rights to the patent to the university.[14]

Relying on a theory of implied contract is by no means a slam-dunk and would depend very heavily on the facts of a particular case. For example, the court in Kligman refused to rule, as a matter of law, that employer handbooks and policies cannot constitute an implied contract. However, it made some reasonable arguments against such a finding given the facts of that case. First, it stated that the handbook was not communicated as a definite offer of employment. Moreover, it continued, the University of Pennsylvania Handbook states that it is a guide and not a legal document.[15] For those institutions relying on an implied contract theory via a faculty handbook, it is easy to imagine similar arguments being raised against such a finding.

It would appear, therefore, that an institution would be well-advised to have signed pre-invention assignment agreements at least with employees that are likely to develop intellectual property (i.e. those in the sciences). However, as mentioned above, even those agreements can potentially be invalidated or shown to never have existed under contract law principles including unconscionability and lack of consideration.

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[13] G. Kenneth Smith, "Faculty and Graduate Student Generated Inventions: Is University Ownership A Legal Certainty?," 1 Va. J. L. & Tech. 4 (1997) citing the University of Houston's policy.

[14] *University Patents v. Kligman*, 762 F. Supp. 1212 (E.D. Pa. 1991).

[15] *Id* at 1224.

Federal and State Statutory Considerations

States

In recent years, states have begun to enact legislation that limits the extent to which an employer can claim rights to inventions made by employees. For example, California is one of a number of states that limit pre-employment assignment agreements to inventions that either utilize employer resources or relate to the business of the employer.[16] Other states have, in effect, codified whatever intellectual property policy the state institution has chosen to follow.[17]

Federal

The main piece of federal legislation that has impacted the rights and obligations of inventors and their respective institutions is the Bayh-Dole Act.[18] Under Bayh-Dole, the university is a government contractor for the performance of a government funded research project. If an invention is made, the university may elect to retain title to the invention by agreeing to file a patent application and trying to commercialize the technology.[19] The government receives a royalty-free, non-exclusive right to utilize the technology for government purposes only as well as some march-in rights in particular situations.[20] Importantly, Bayh-Dole requires the contracting university to bind its employees by written agreement to promptly disclose inventions in writing to the appropriate person or office within the university as a condition of receiving the funds.[21]

Common Law

In the absence of an agreement between an employee and employer to assign intellectual property or a controlling federal or state statute, there are three possible scenarios regarding the division of ownership rights of an invention made by an employee. Each results in a different scheme of ownership. They are classified as: 1) specific inventive employment (employment for the express purpose of creating inventions); 2) general inventive employment; and 3) general employment.[22]

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[16] G. Kenneth Smith, "Faculty and Graduate Student Generated Inventions: Is University Ownership A Legal Certainty?," 1 Va. J. L. & Tech. 4 (1997) listing California, Delaware, Illinois, Kansas, Minnesota, North Carolina, Utah, and Washington.

[17] Va. Code Annotated Section 23-4.3B (1994).

[18] 35 USC 200 – 211 (1980).

[19] 35 USC 202.

[20] *Id.* To this author's knowledge, such march-in rights have never been exercised.

[21] *Id.*

In the first case, or "hired to invent", the employee is obligated to assign all of her rights in the invention to the employer. Under the doctrine of general inventive employment, the employee retains the rights to the patent while the employer is granted a shop-right in the invention.[23] Under general employment, the employee owns the invention free and clear of any employer rights.

For the purpose of determining ownership of a patent, the issue of which of the aforementioned categories a faculty employee or student falls into has not, to this authors knowledge, ever been litigated. However, there have been a number of cases worth noting that have relevance to issues relating to the ownership of intellectual property at universities.[24]

APPLICABILITY TO STUDENTS

Types of Students

How students are affected by the policies and legal principles discussed above is determined, in large part, on whether a student is an employee and, if so, her respective classification of employment. Generally speaking, there are two types of students: graduate students and undergraduate students. Graduate students may further be classified into research assistants and those receiving fellowships or scholarships.

Undergraduates

Although much attention has been focused on graduate students and the ownership of inventions, little thought has been paid to the rights of undergraduates.[25] The lack of attention would seem to be justified since the majority of student inventors are graduate students.

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[22] Steven Cherensky, "A Penny For Their Thought: Employee-Inventors, Preinvention Assignment Agreements, Property and Personhood," 81 Cal. L. Rev. 597 (1993).

[23] *United States v. Dublier Condensor Corporation*, 289 US 178 (1933). Dublier is the seminal case regarding the rights and obligations of employers and employees relating to ownership of inventions.

[24] *See e.g. Simmons v. California Institute of Technology*, 209 P. 2d 581 (1949); *Speck v. North Carolina Dairy Foundation* 307 S.E.2d 785 (N.C. 1983) *rev'd* 319 S.E.2d 139 (1984); *University Patents v. Kligman*, 762 F. Supp. 1212 (E.D. Pa. 1991).

[25] K. J. Nordheden, "Underhgraduate Research & Intellectual Property Rights," 6 Kan. J.L. & Pub. Pol'y 34 (1997).

However, one need only to be reminded that Bill Gates started Microsoft while a Harvard undergraduate student to realize that issues regarding undergraduate student ownership have the potential of great importance to universities. Therefore, universities would be advised confront the legal complexities an undergraduate student inventor presents to the ownership of a university invention.

It would appear that undergraduate students are not governed by the common law doctrines of specific inventive employment, general inventive employment, or general employment since most of these students are not employed by the institutions where they are doing the research. To the contrary, they are paying the institution for the class in which they are performing the research, for example, a senior thesis project.

Therefore, the institution would be well-advised have an intellectual property assignment agreement with these students in order to assure ownership rights in their inventions. However, perhaps because of contract law issues[26], this author knows of no institution that asks undergraduates to sign such agreements.

At Princeton, incoming undergraduates students sign a document that states they agree to abide by the rules and policies as outlined in the student handbook, which contains the Patent Policy. However, this "implied contract" theory could conceivably be argued to suffer from the same legal flaws as when it is applied to faculty. In fact, it may be alleged to be a weaker contention to suggest that there is an implied contract between the university and the undergraduate student because, unlike the faculty and most graduate students, undergraduates are not employees of the university.

Graduate Students

The claim of university ownership of an invention developed by a graduate student is probably less tenuous than its' claim to undergraduate inventions, but is by no means a legal certainty.[27] It is not clear, for example, that a graduate student is an employee for the purposes of creating an obligation to assign inventions to the university.

First, although they receive stipends, such monies are received for work performed in the pursuit of fulfilling degree requirements.[28] Moreover, the work performed by the graduate student as a teaching or research assistant in most cases is not clearly defined. However, some courts have found that students are employees in the context of other legal issues like labor law and respondeat superior.[29]

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[26] Lack of consideration, contract of adhesion, etc.

[27] G. Kenneth Smith, "Faculty and Graduate Student Generated Inventions: Is University Ownership A Legal Certainty?," 1 Va. J. L. & Tech. 4 (1997).

[28] *Id.*

Even if one assumes that a graduate student is an employee, a university would still have to show she was hired to invent in order for it to have ownership rights in her invention absent a pre-employment assignment agreement. Such an argument might be difficult to win, however, in light of the fact that it could be argued that graduate students aren't really hired to do anything.

One interesting legal issue that has been raised is whether the graduate student is an employee of the particular faculty member and, if so, whether the university can be a third-party beneficiary of that employer-employee relationship.[30]

In summary, the strongest grounds on which to make a claim of ownership for a student or faculty invention is an invention assignment agreement. If an institution obtains such an agreement from a prospective graduate student, then it has a reasonably strong argument for ownership of any inventions created by that student. However, as mentioned above, there are always valid arguments that such agreements are not enforceable under contract law like contract of adhesion, unconscionability, and lack of consideration.

CASE STUDY

The Facts

The Princeton case involves a post-doctoral student but could have just as easily been a graduate or undergraduate student and therefore raises issues generally relevant to student's rights in intellectual property developed at universities. In January 1997 a former postdoctoral research associate in a chemistry professor's laboratory sued the University, the professor, and a corporate licensee of the University.

The case arises out of the post-doc's work in the professor's lab, the licensing of a patent obtained by the University for a PCB reduction process to the licensee, and the post-doc's work for the licensee. The process eventually was patented by the University, with the post-doc and the professor, as co-inventors on the patent application, agreeing to divide equally the inventor's share (as calculated pursuant to the University's patent policy) of any resulting royalties.

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[29] *Ross v. University of Minn.*, 439 N.W. 2d. 28 (Minn. Ct. App. 1989); *Regents of Univ. of Michigan v. Michigan Employment Relations Commission*, 204 N.W. 2d 218 (Mich. 1973).

[30] G. Kenneth Smith, "Faculty and Graduate Student Generated Inventions: Is University Ownership A Legal Certainty?," 1 Va. J. L. & Tech. 4 (1997).

The Lawsuit

The complaint alleges breach of contract against (i) the University (for not fully compensating the post-doc, for terminating his employment, and for not properly investigating claims made by him), (ii) the professor (for failing to pay the post-doc additional income he believes he is owed), and (iii) the licensee (for failure to transfer to the post-doc shares of stock to which he believes he is entitled and for failure to pay him for consulting services).

The post-doc's complaint also contains claims against the University, the professor and the licensee for unjust enrichment, breach of a covenant of good faith and fair dealing, fraud and conspiracy, all arising out of the same set of facts and circumstances. In addition, the post-doc alleges a claim of interference with contractual relations against the professor and the licensee (but not against the University), based upon a belief that they have taken action to inhibit his ability to obtain gainful employment since he left the University in 1994. The complaint seeks an unstated amount of compensatory damages, as well as punitive damages.

When discovery was virtually completed, the post-doc filed an amended complaint which added a claim of fraud against the University and the professor for not listing him as a co-inventor on a patent which was filed as a continuation in part, and relates to the remediation of nitro compounds in the environment. The lawsuit continues as of this writing, and defendants' summary judgment motion is pending.

The Issues Raised

This case has a number of interesting and instructive aspects which may arise in other contexts where undergraduates, graduate students, and post-docs collaborate on research which subsequently is licensed by the institution:

> -- A professor who believed he was doing a favor for the post-doc (who just as easily might have been a student) by agreeing to split 50-50 any tech transfer income which might be due to the inventors under the institution's patent policy, even though the professor did not believe the post-doc's contribution actually rose to that level.
>
> -- A post-doc who apparently believes the institution had a duty to him to maximize the potential financial return which might be obtained via technology transfer.
>
> -- An institution that had a relatively low budget tech transfer operation at the time, and which licensed the technology to a start-up company that was introduced to it through the professor's brother.
>
> -- A start-up licensee which took on the professor and the post-doc as consultants, and which gave the professor a sizeable percentage of stock, which the post-doc felt he was entitled to receive as well.

-- Financial difficulty on the part of the start-up, due to other business ventures (and after it had devoted at least $900,000 to this technology), with the plaintiff using the financial difficulty to support his claim that the institution ought not have licensed the technology to that company.

-- A technology whose value in the marketplace has diminished (at least for the time being) due to political and global conditions beyond the control of the parties.

-- A plaintiff's law firm that has refused to see the inherent weaknesses in its case, or having seen them refuses to let on that they are there due to the time and expense invested in the case to date, and thus plows on.

-- A licensee's law firm which has taken a back seat position in the defense of the case even though the institution believes the claims arise primarily out of matters within the licensee's control; in light of the licensee's financial difficulty, its assistance in the defense of the lawsuit is virtually non-existent.

-- An institution's patent counsel which finds itself on the receiving end of subpoenas for documents and depositions, with an expectation that the institution will pay for the time and expense associated with responding to them.

-- An institution's litigation defense firm which, despite relatively low rates, lean staffing and efficient use of time, is producing legal bills that far exceed any reasonably anticipated return on the licensed technology.

-- Thorny issues of whether, when, and to what extent to indemnify and defend the professor, made more difficult by the licensee's inability or refusal to indemnify and defend him at all.

IX. ANNOTATED WEB SITE LIST

A. COPYRIGHT

B. PATENTS AND TRADEMARKS

C. INTELLECTUAL PROPERTY GENERALLY

D. FEDERAL INTELLECTUAL PROPERTY RESEARCH

E. GENERAL SITES AND SEARCH ENGINES WITH GOOD INTELLECTUAL PROPERTY AREAS.

ANNOTATED WEB SITE LIST

A.

Copyright

U.S. Copyright Office
http://lcweb.loc.gov/copyright/
This is the definitive copyright law site. It contains copyright basics, information circulars, copyright office announcements, new developments, links to copyright statutes and regulations, congressional testimony of the Register of Copyrights, and registration forms in .pdf format.

Copyright Grid
http://athena.louisville.edu/~ddking01/copylink.htm
This is a well designed page with no original content but useful information organized by four topic areas: copyright statutes, copyright resources, fair use/guidelines, and multi-media resources.

U.S. Copyright Law
http://www.law.cornell.edu/topics/copyright.html
Part of Cornell University's "Legal Information Institute" site, this is an excellent, well laid out site. The front page has a short overview of copyright law on one side, and links to statutes, regulations, treaties, Supreme Court and appellate court cases, and other resources on the other side.

The Copyright Website
http://www.benedict.com
The site contains the basic tenets of copyright law, registration information, forms, a Fair Use Test, and information on copyright infringers.

University of Maryland University College (UMUC)
Office of Distance Education and Lifelong Learning
http://www.umuc.edu/distance/odell/
UMUC is hosting an online workshop series on copyright issues. Other information includes distance education resources, laws, regulations, treaties, international resources, Digital Millennium Copyright Act information, and links to current copyright issues and resources.

The Copyright Society of the U.S.A.
http://www.csusa.org
The Society has published the Journal (formerly the Bulletin) of the Copyright Society of the U.S.A. since its inception in 1953. The site contains statutory and legislative materials, case law, general copyright and licensing information, international agreements, and searching sites.

A Visit to Copyright Bay
http://www.stfrancis.edu/cid/coprbay/fairuse.htm
This site, hosted by the University of St. Francis, is not prepared by attorneys, but is meant to "inform and entertain educators about copyright issues in a non-profit setting." It contains a series of tutorials reached by colorful internal links, including Audio-Visual Lagoon, Multimedia Wharf, and Single Copying Inlet. It also contains a Shakedown Cruise, which is a series of quizzes based on imaginative hypotheticals.

Catholic University of America Office of the General Counsel
http://counsel.cua.edu/IP/Resources.htm
This excellent OGC web page contains a copyright policy, copyright guidelines, and explanations of public domain, legal and illegal uses of MP3s, and course packs, and library copyright information, a certification of copyright compliance form for faculty and staff, and other resources.

University of North Carolina at Greensboro University Counsel
http://www.uncg.edu/cha/UNIVERSITY_COUNSEL/
The internal link to Forum on Copyright and Distance Learning goes to copyright basics, fair use, the UNCG IP policy, guidelines for classroom copying, special issues in distance learning, and links to more information.

Stanford University Libraries - Copyright and Fair Use
http://fairuse.stanford.edu/
This site contains primary copyright materials, current legislation, cases, and issues, resources on the Internet, and an overview of copyright law.

B.

Patents and Trademarks

U.S. Patent and Trademark Office
http://www.uspto.gov
Not surprisingly, this is the definitive patent and trademark law site. It contains USPTO procedures, guidelines for examining inventions, information on pending legislation, transcripts of committee testimony, current announcements, the U.S. Patent Bibliographic Search Engine, downloadable forms, and many other resources, including kids' pages.

International Trademark Association (INTA)
http://www.inta.org
This site includes policy initiatives, congressional testimony, and position papers, as well as INTA related information, introductory information about trademarks, and article abstracts.

European Patent Office
http://www.epo.co.at/epo/
Written in English, French, and German, this site contains general information about the EPO as well as course and seminar information, applications for European patents, links to the patent offices of EPO member countries, a patent search service, and a link to the web site jointly maintained by the EPO, the USPTO, and the Japan Patent Office (JPO).

International Patent Offices. Selected patent office sites follow. At least part of each of these sites is in English, and most of them also contain trademark and copyright information.

Australia: *http://www.ipaustralia.gov.au*
A very well-designed, informative site.

Canada: *http://cipo.gc.ca/*
Written in English and French, this site covers patent, copyright, and trademark law.

Hong Kong: *http://www.houston.com.hk/hkgipd/*
Contains frequently asked questions (FAQ) pages relating to all facets of intellectual property, and even contains cartoons, all with a moral pertaining to the consequences of copyright infringement.

Japan: *http://www.jpo-miti.go.jp*
This Japan Patent Office site is quite extensive, with English-language material including Japanese patent law, patent and trademark database searches, and application procedures.

Source Translation and Optimization
http://www.bustpatents.com/
A site with a definite viewpoint, it decries the issuance of patents, primarily software and biotechnology, which stifle competition, and contains the Internet Patent News service, legal analysis, statistics, and patent analysis tools.

C.

Intellectual Property Generally

University of Texas System Office of the General Counsel
http://www.utsystem.edu/ogc/intellectualproperty/
This is the preeminent University intellectual property web site. Trademark information includes the UT System trademark policy and general trademark information and resources. Patent information includes the UT System IP policy and other resources. The most important part of this web site is the copyright section, which includes various policies, a Crash Course in Copyright, copyright presentations for various audiences, and exhaustive information on fair use, copyright management, licensing, and other topics.

Association of University Technology Managers (AUTM), Inc.
http://www.autm.net
This comprehensive site contains patent, copyright, and trademark sample policies and agreements, resources on avoiding problems, government resources, regulations and legislation, patent and trademark fees, university technology office listings, and information on the practical and legal fundamentals of IP.

World Intellectual Property Organization
http://www.wipo.org
Written in English, French, and Spanish, this site contains information on international protection of copyrights, a guide to the international registration of marks, texts of treaties, information on the IP Digital Libraries (IPDL) Project, and several other topics.

D.

Helpful Federal Site for IP Research

U.S. Code – *http://uscode.house.gov/usc.htm*
Code of Federal Regulations (CFR) – *http://www.access.gpo.gov/nara/cfr/cfr-table-search.html*
Thomas (Congressional legislative information) – *http://thomas.loc.gov*

E.

General Sites and Search Engines with Good IP Areas

FindLaw Cyberspace Law Center
http://www.cybersquirrel.com/clc/clcindex.html

Indiana University School of Law WWW Virtual Library
http://www.law.indiana.edu/law/v-lib/lawindex.html

Chicago-Kent College of Law Lawlinks
http://www.kentlaw.edu/clc/lrs/lawlinks/

Hieros Gamos
http://www.hg.org

X. ADDITIONAL RESOURCES

ADDITIONAL RESOURCES

Legislation

American Inventors Protection Act of 1999, Public Law 106-113, November 29, 1999.

Digital Millennium Copyright Act of 1998, Public Law 105-304, October 28, 1998.

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